



# 2019 OECD ECONOMIC SURVEY OF SWEDEN



<http://www.oecd.org/eco/surveys/economic-survey-sweden.htm>

 @OECDeconomy  
 @OECD

 slideshare

 **OECD**  
BETTER POLICIES FOR BETTER LIVES



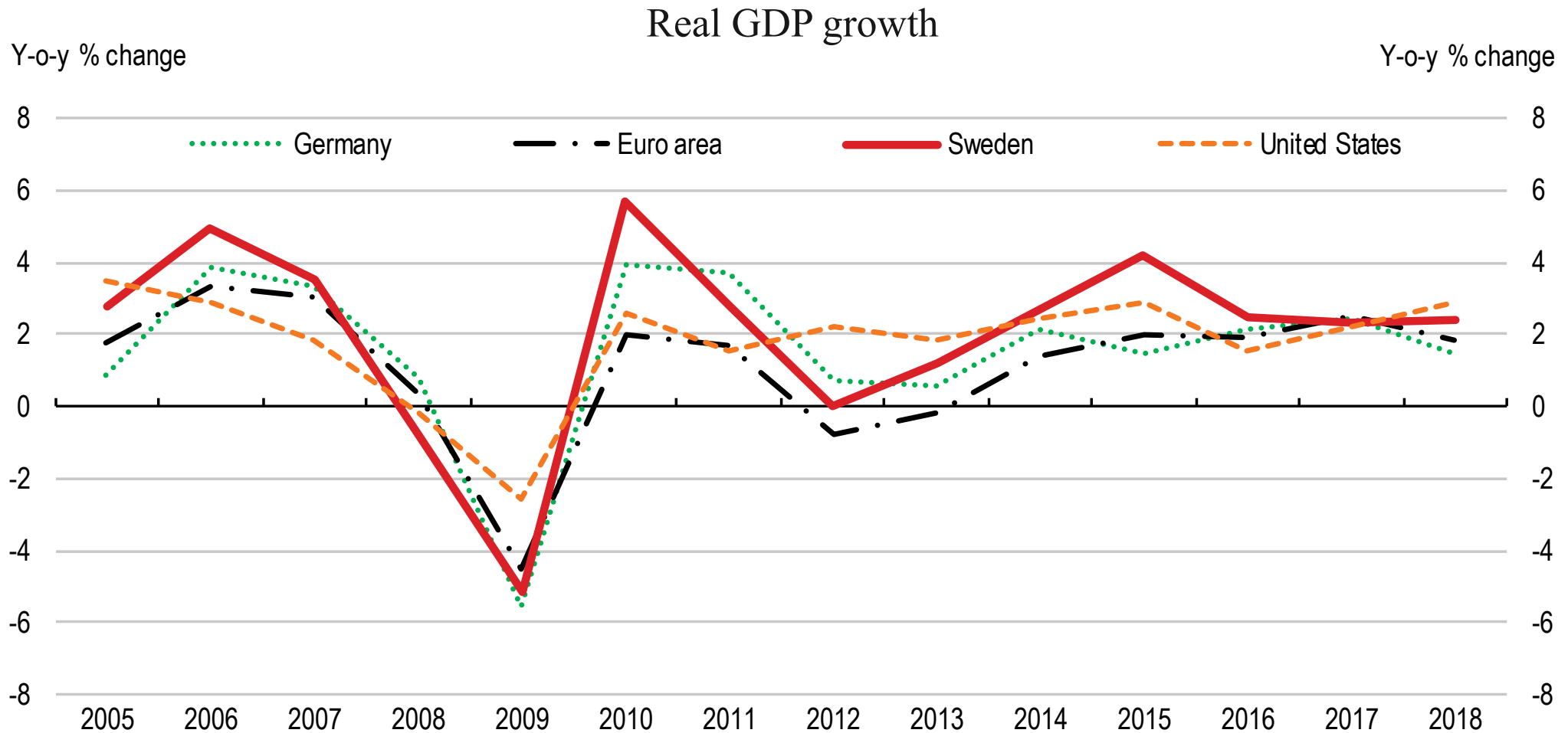
## Key messages

---

- Policies should remain responsive to macroeconomic developments
- Addressing structural weaknesses in housing and business regulations could enhance productivity and well-being
- Reinforcing the school system and maintaining high workforce skills is essential for growth, competitiveness and social cohesion



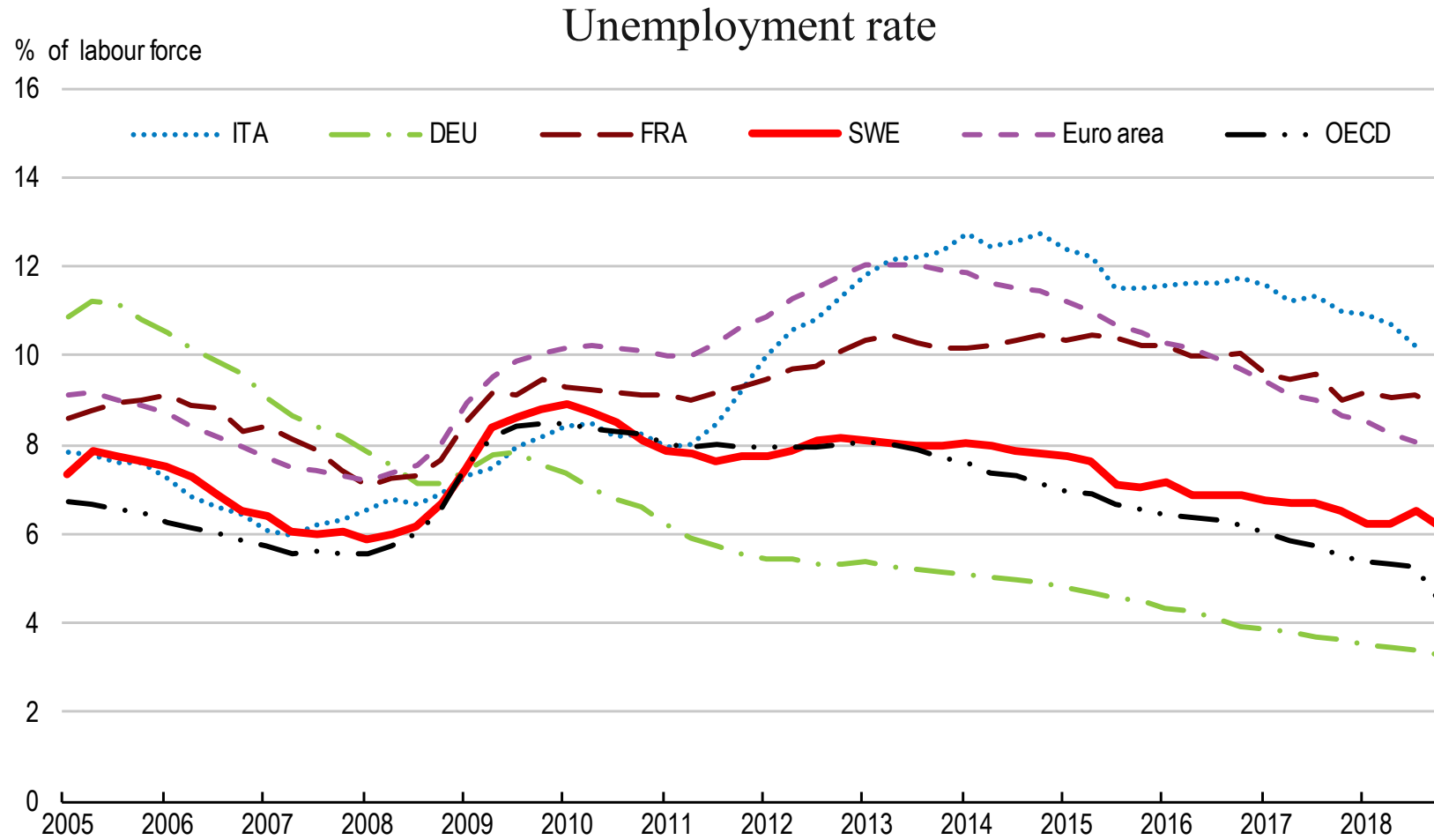
# Output growth is robust



Source: OECD Economic Outlook database.



# Unemployment has declined

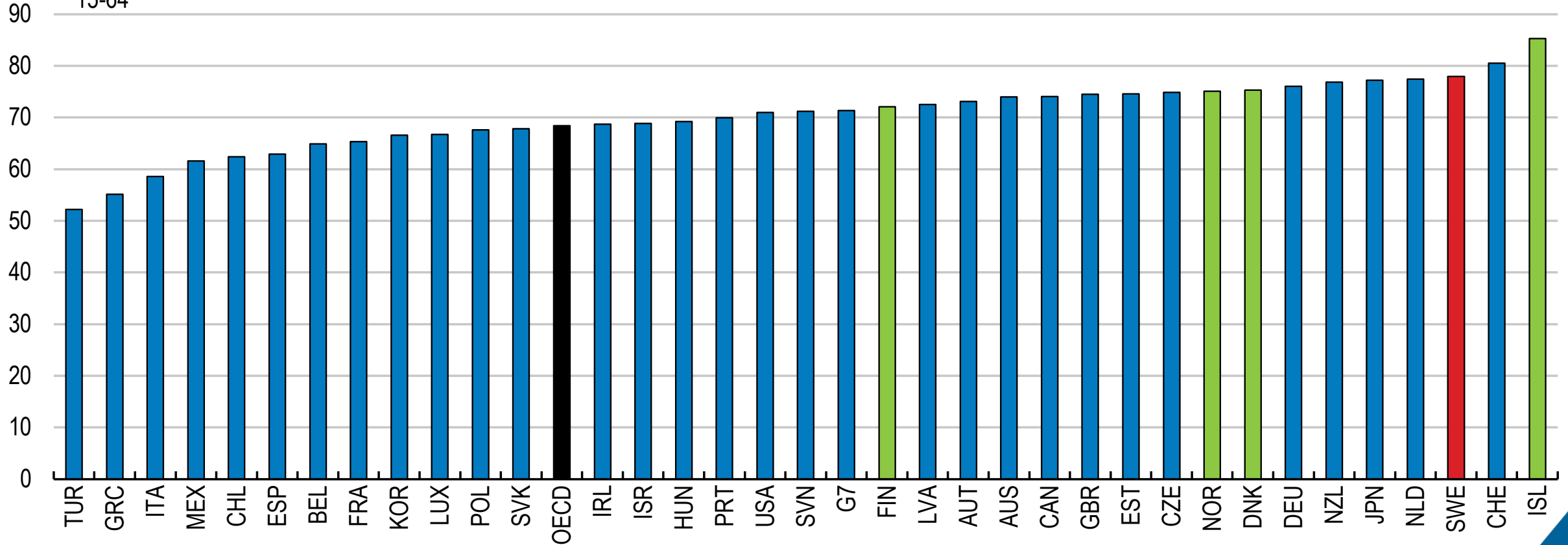


Source: OECD Economic Outlook database.



# The employment rate is among the highest in the OECD

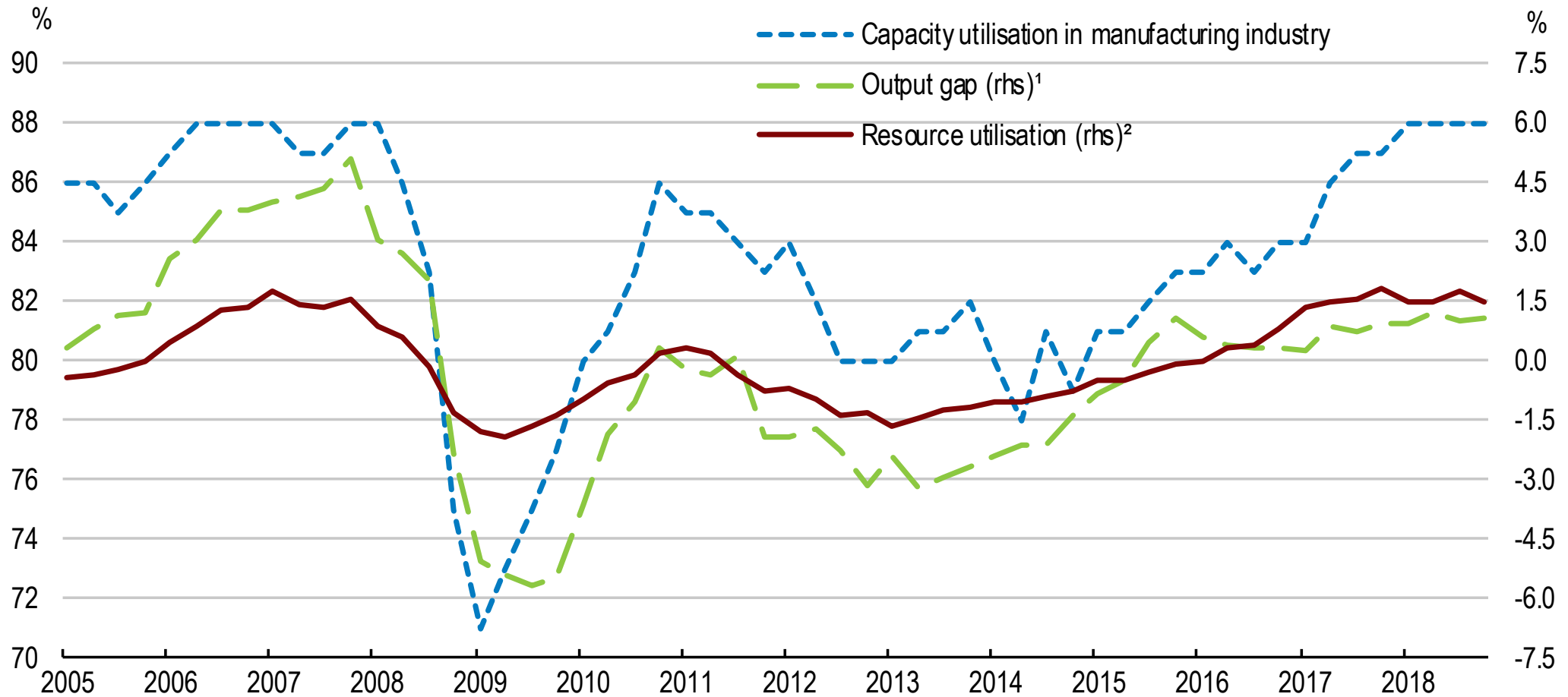
% of population aged  
15-64



Source: OECD Labour force statistics database.



# The economy is operating close to full capacity



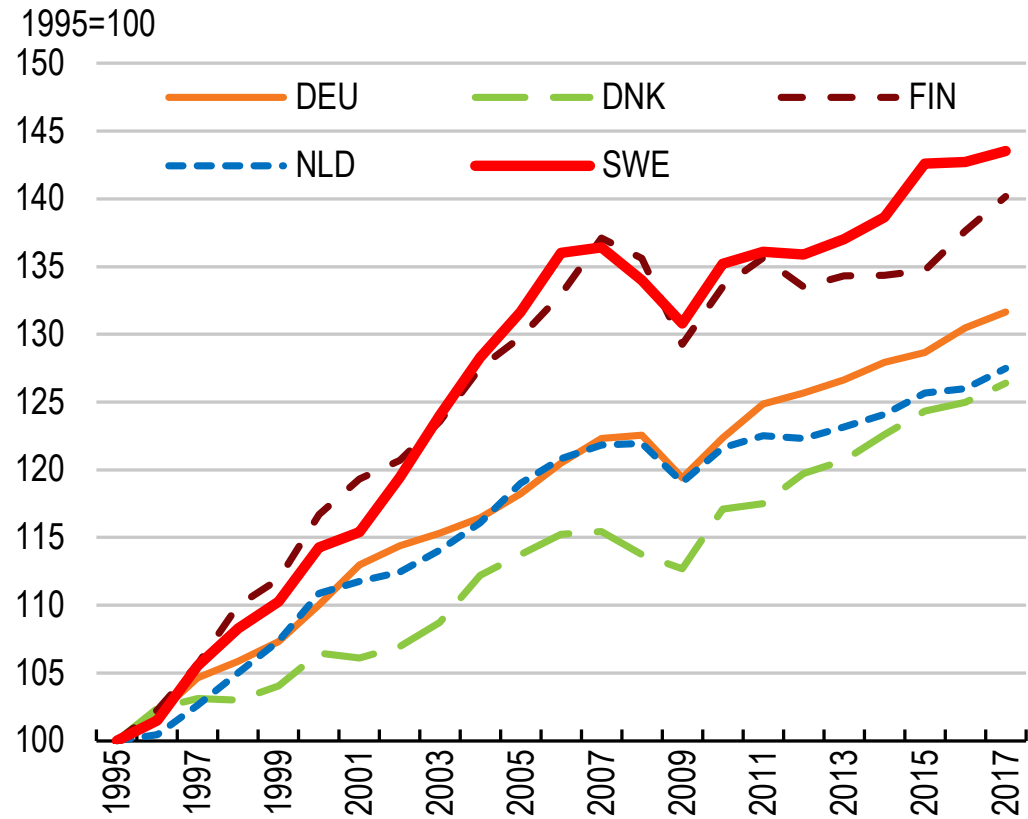
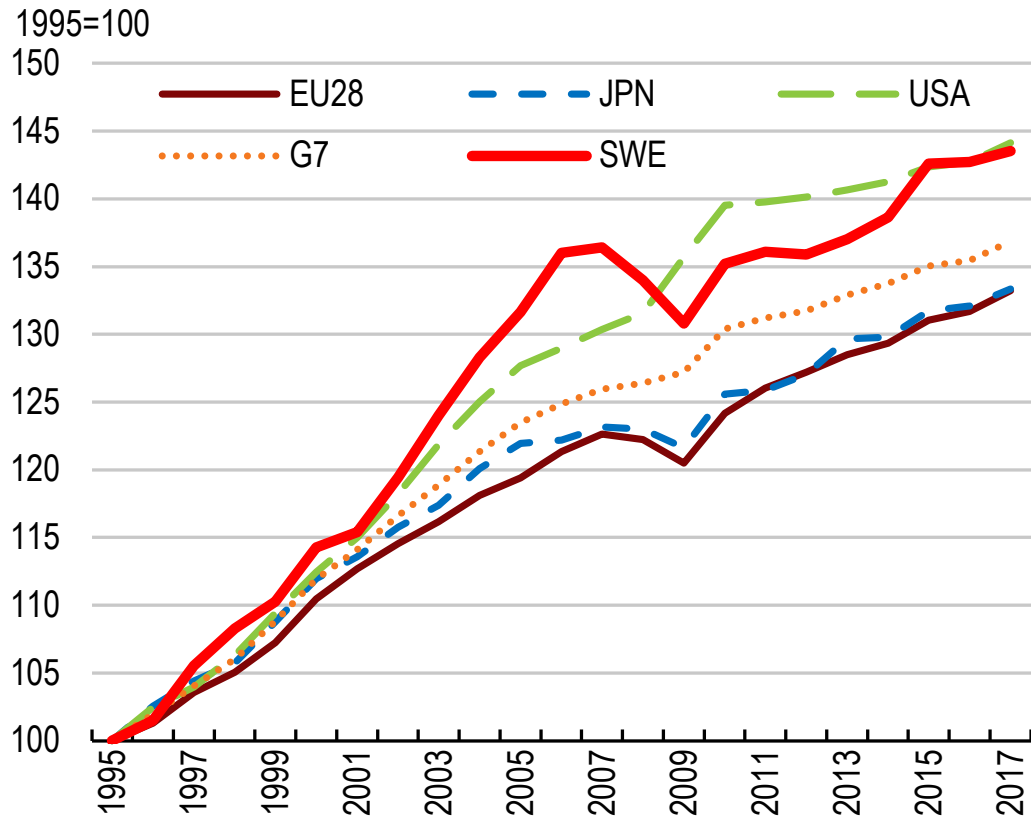
1. Percentage of potential output.

2. Deviation from 2005-2018 average in units of standard deviation.

Source: OECD Economic Outlook database, NIER and Riksbank.



# Labour productivity has been growing faster than in most other countries



*Note:* Productivity is measured as GDP per hour worked.

*Source:* OECD, National Accounts, Productivity and Economic Outlook databases.



# Global uncertainties shroud the outlook

---

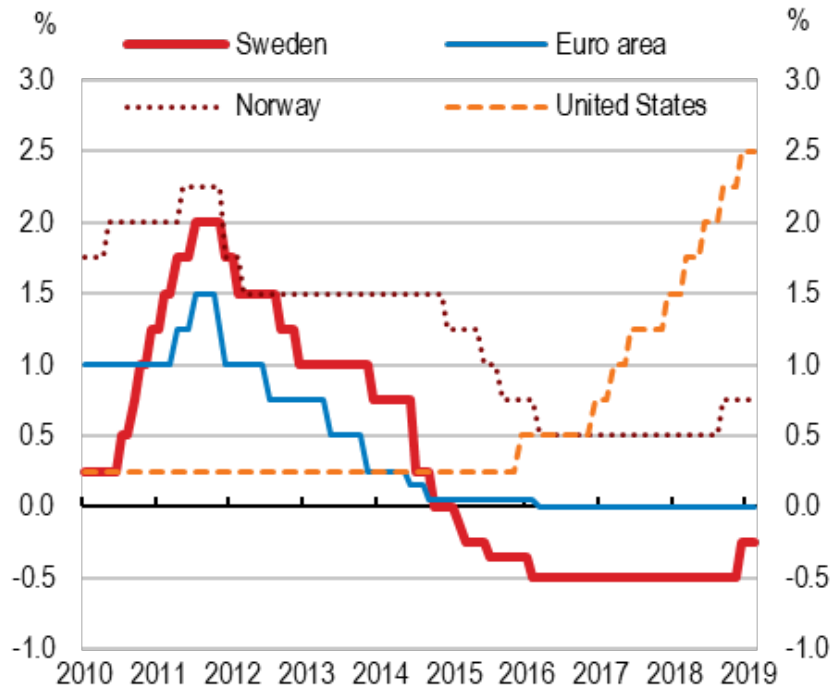
- Global slowdown
- Trade tensions
- Brexit
- Financial market volatility



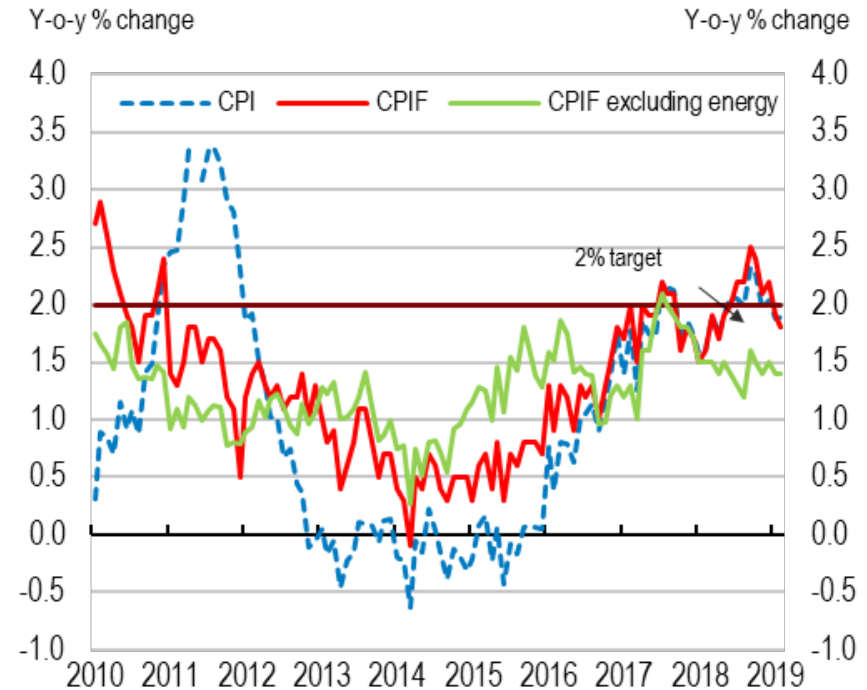


# Monetary policy remains very expansionary

## Policy rates



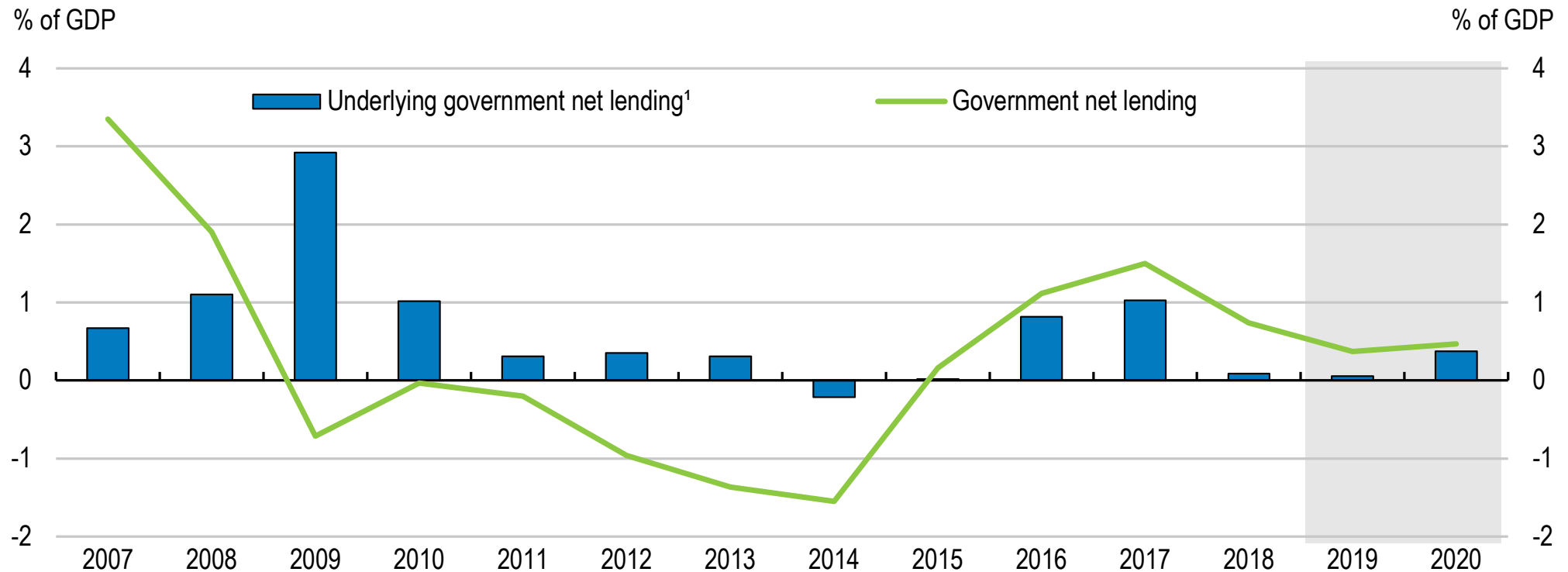
## Inflation



Source: OECD Economic Outlook database and Riksbank.



# Government surpluses largely reflect the strength of the economy



1. % of potential GDP.

Source: OECD Economic Outlook database.



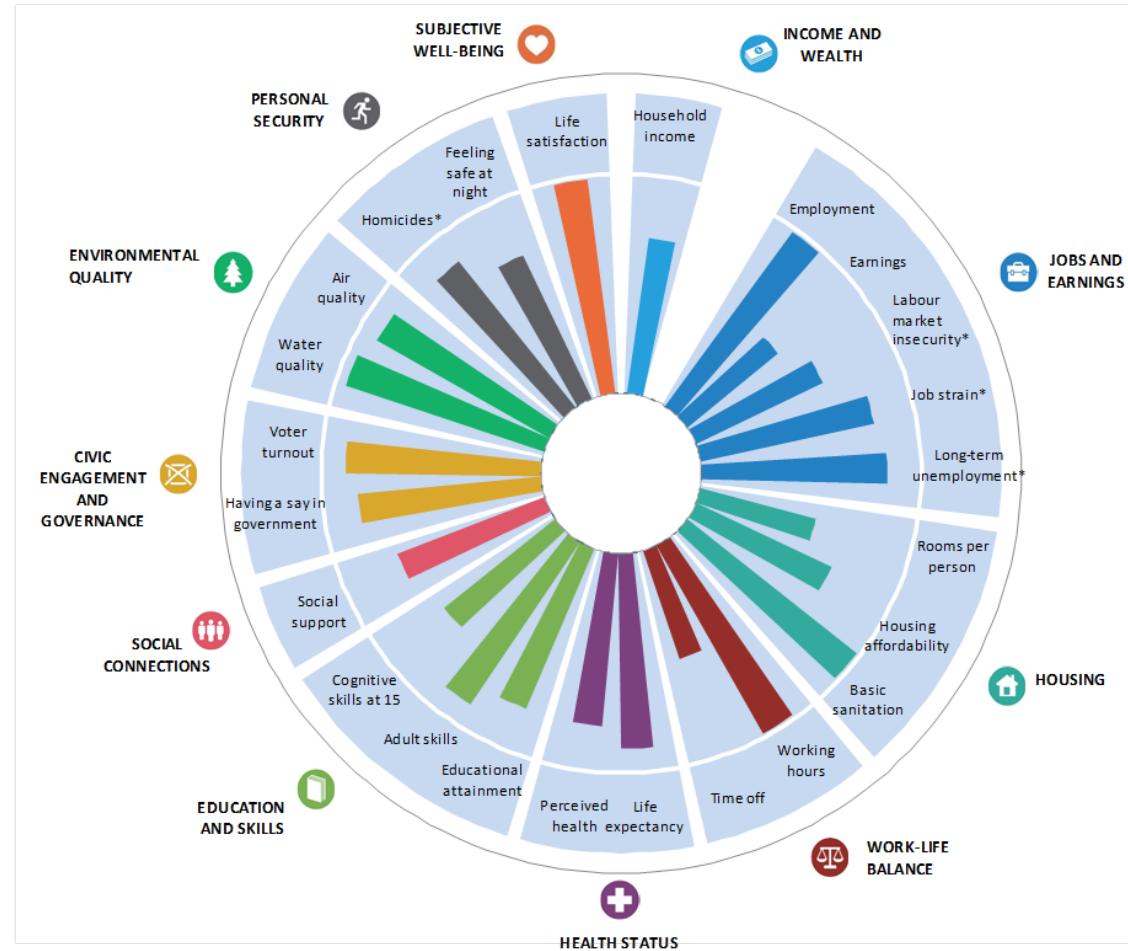
## Recommendations on macroeconomic policies

---

- Continue to raise interest rates gradually, taking inflation and output developments into account.
- Continue to run budget surpluses while the economy remains solid.
- In the case of a downturn, use the space provided by the fiscal framework.



# How's life in Sweden?



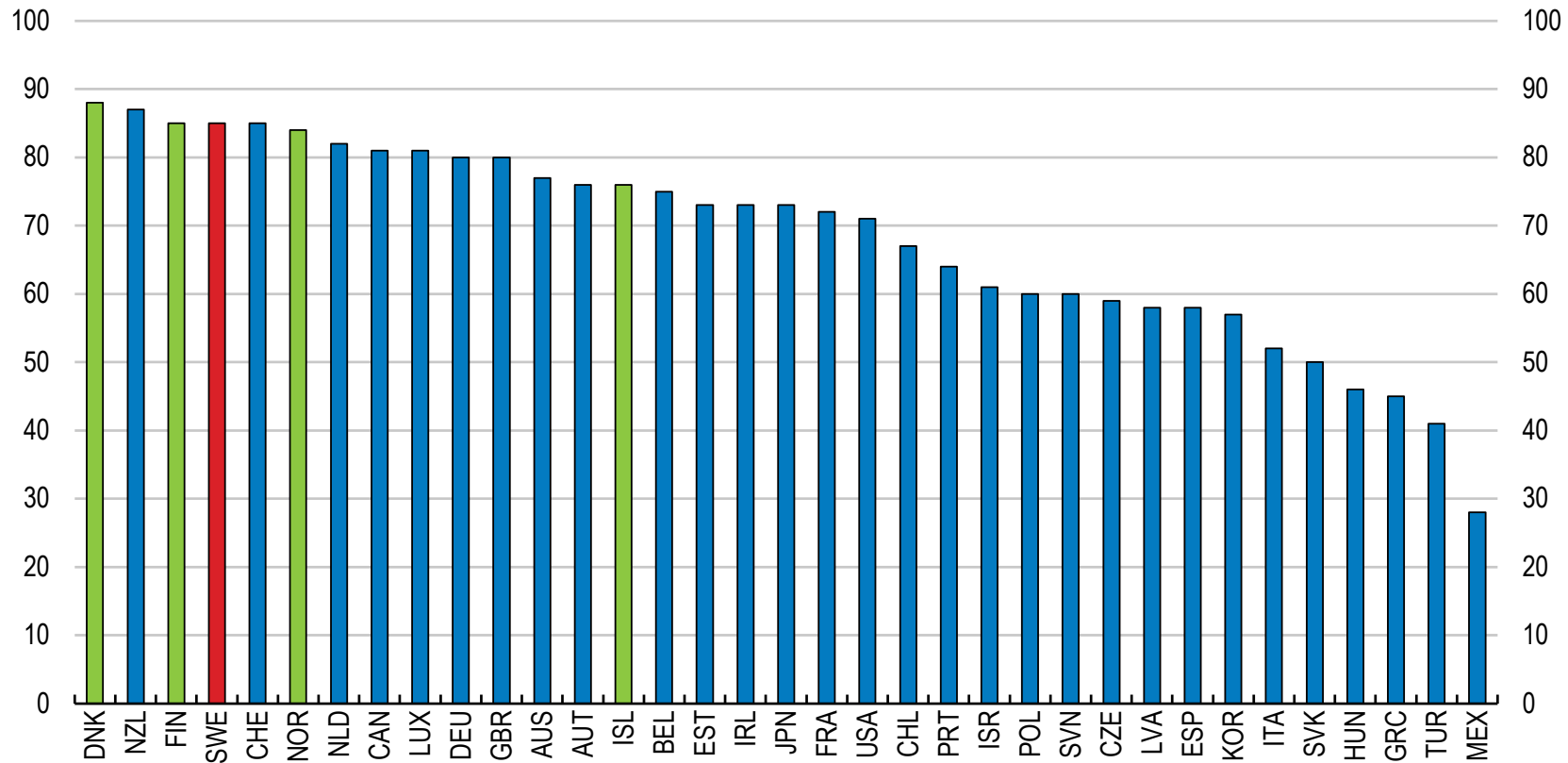
*Note:* This chart shows Sweden's relative strengths and weaknesses in well-being when compared with other OECD countries. For both positive and negative indicators (such as homicides, marked with an “\*”), longer bars always indicate better outcomes (i.e. higher well-being), whereas shorter bars always indicate worse outcomes (i.e. lower well-being).

Source: OECD (2017), OECD Better Life Index, [www.oecdbetterlifeindex.org](http://www.oecdbetterlifeindex.org).



# Perceived corruption is low

Corruption Perceptions Index, 2018



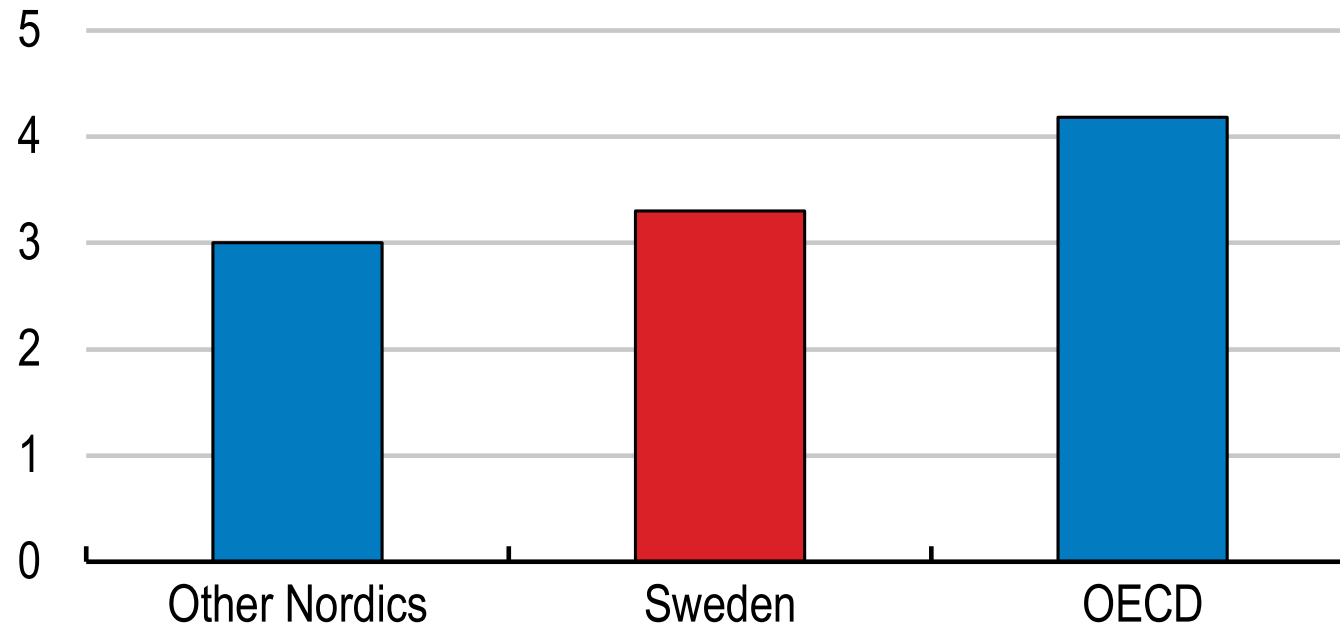
Note: The Corruption Perceptions Index uses a scale of zero (highly corrupt) to 100 (very clean).

Source: Transparency International.



# Income inequality remains low

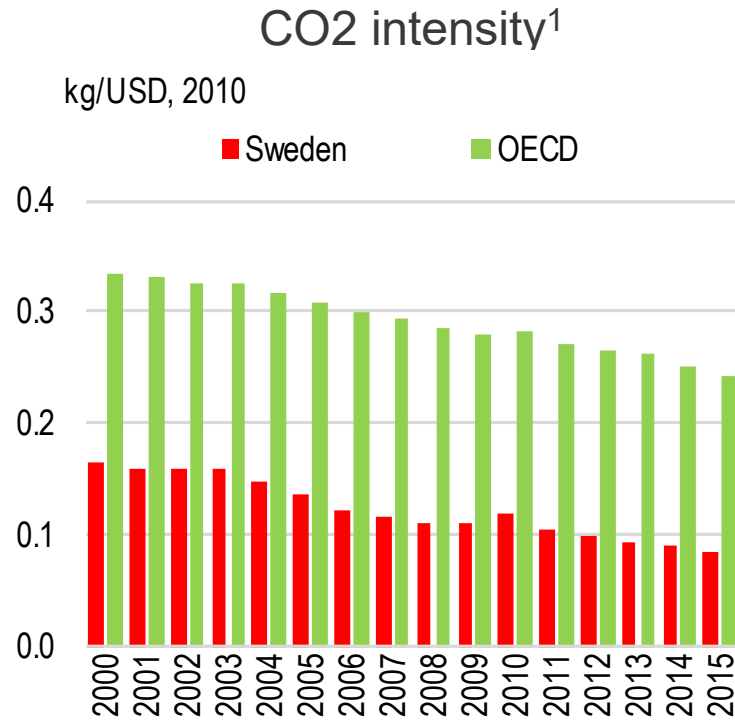
Ratio of ninth to first disposable income decile, 2016 or latest



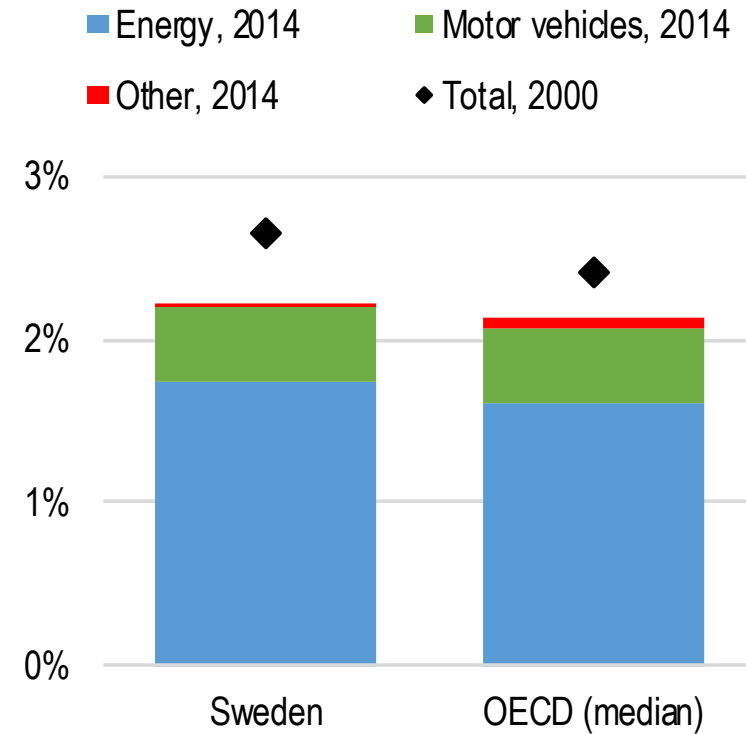
Source: OECD Income Distribution Database (IDD).



# Sweden scores well on environmental indicators



### Environment-related taxes, % of GDP



1. Production-based.

Source: OECD Green Growth Indicators database.



## Recommendations on environmental and green finance policies

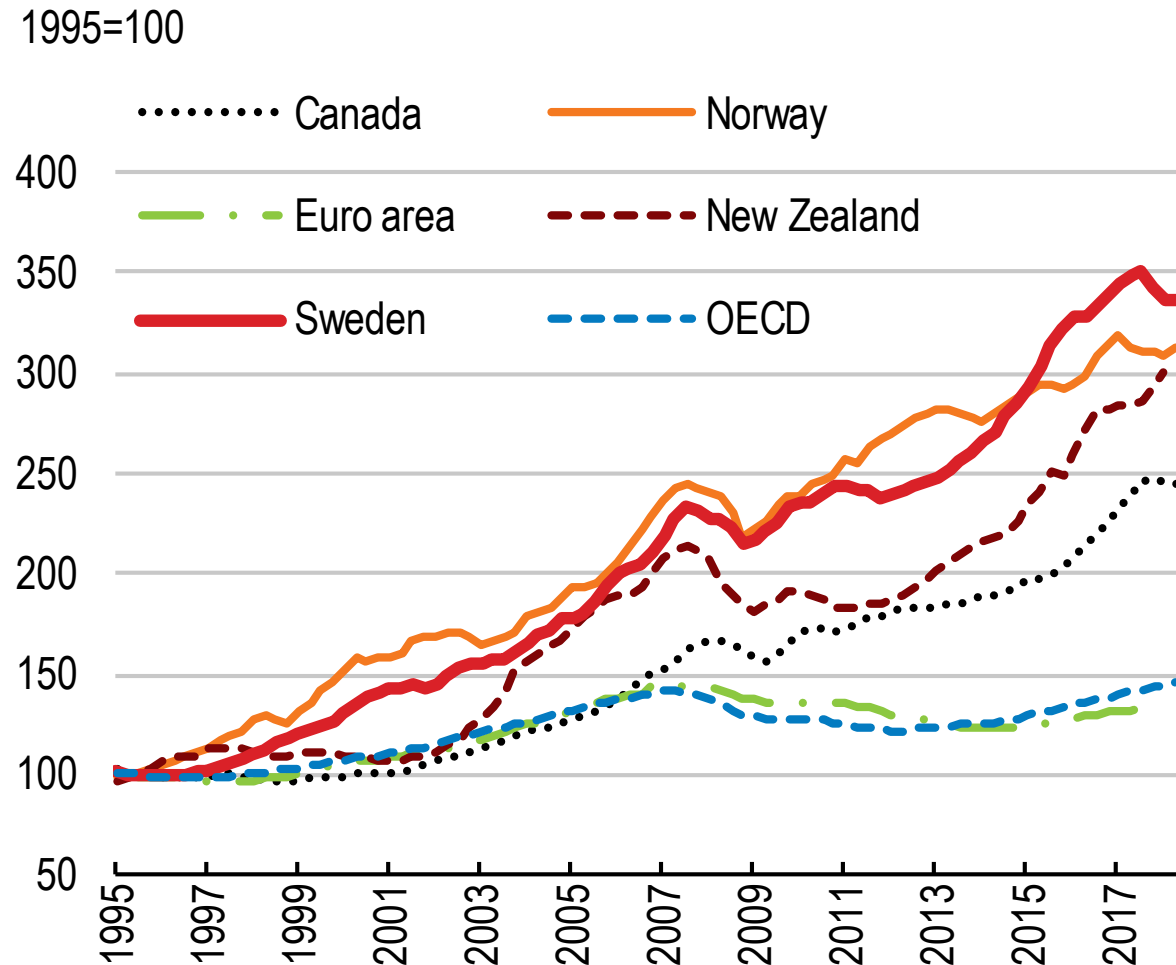
---

- Raise taxes on industrial energy use.
- Strengthen and further harmonise climate-related disclosure requirements, especially for financial intermediaries, including banks.





# The housing market has cooled, but prices remain high and structural issues remain



Source: OECD Economic Outlook database.



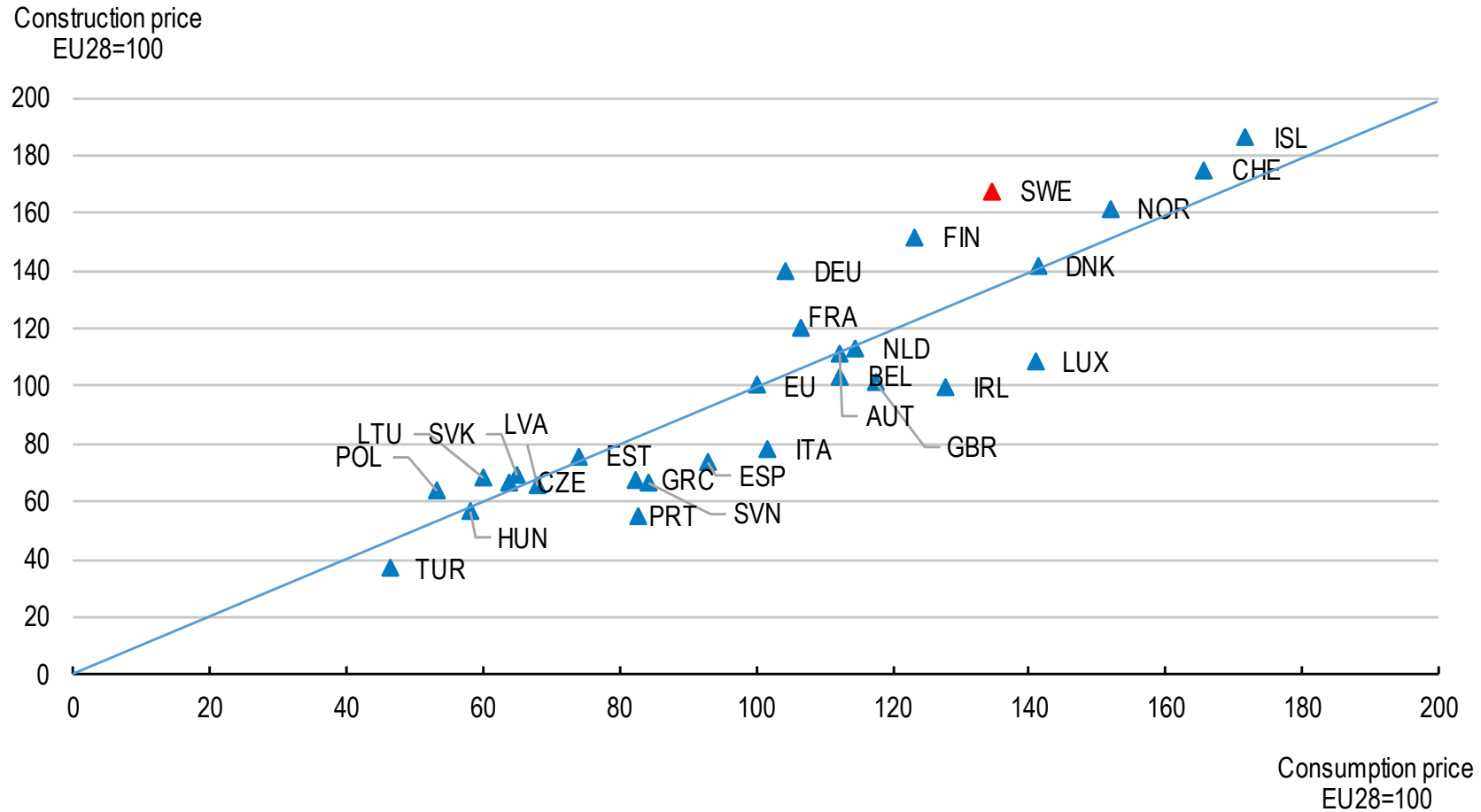
## Recommendations on housing policy

---

- Reform the recurrent property tax.
- Phase out the deductibility of mortgage interest rate payments.
- Ease rental regulations.
- Simplify land-use planning procedures, balancing economic, environmental and social considerations.
- Enhance co-operation between central and local government in land-use planning and increase incentives for municipalities to facilitate the timely release of development land.



# Construction costs are high

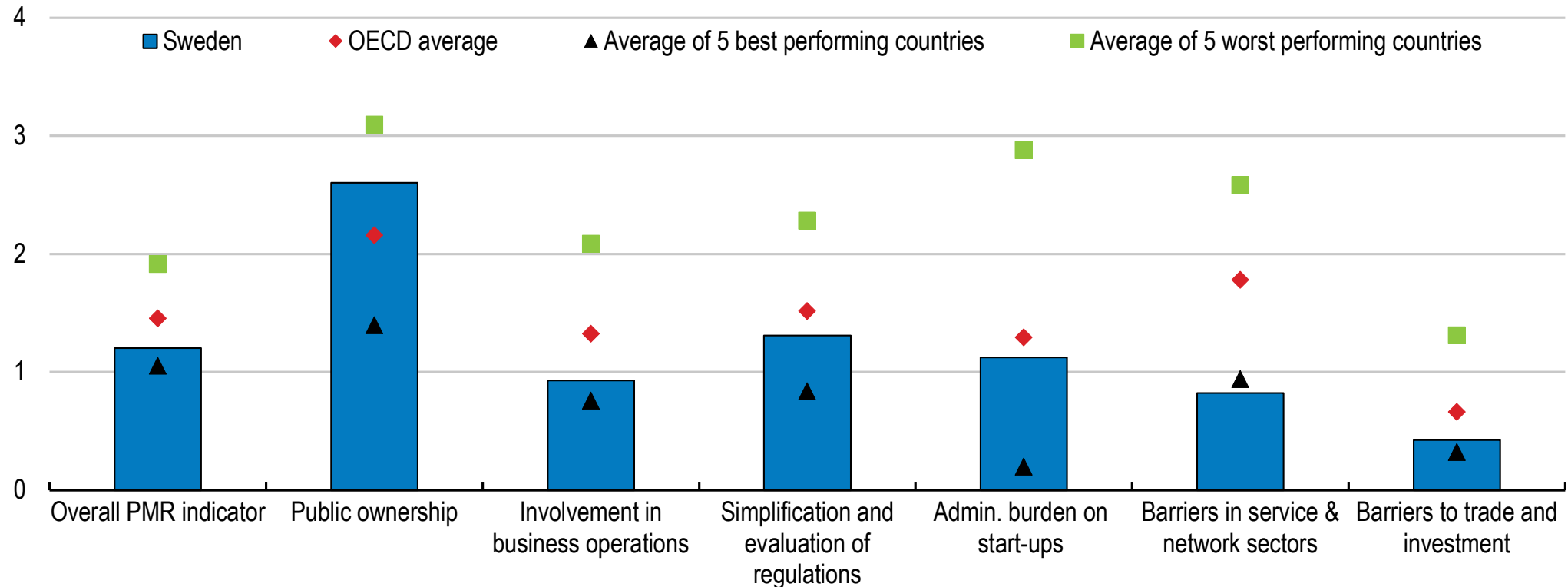


*Reading note:* Sweden's construction price level is more than 60% above the OECD average compared to less than 40% for the consumer price level.

*Source:* Eurostat.



# Product market regulations are lean, but further streamlining could raise productivity



Source: Preliminary OECD 2018 PMR database (as of 20-02-2019).



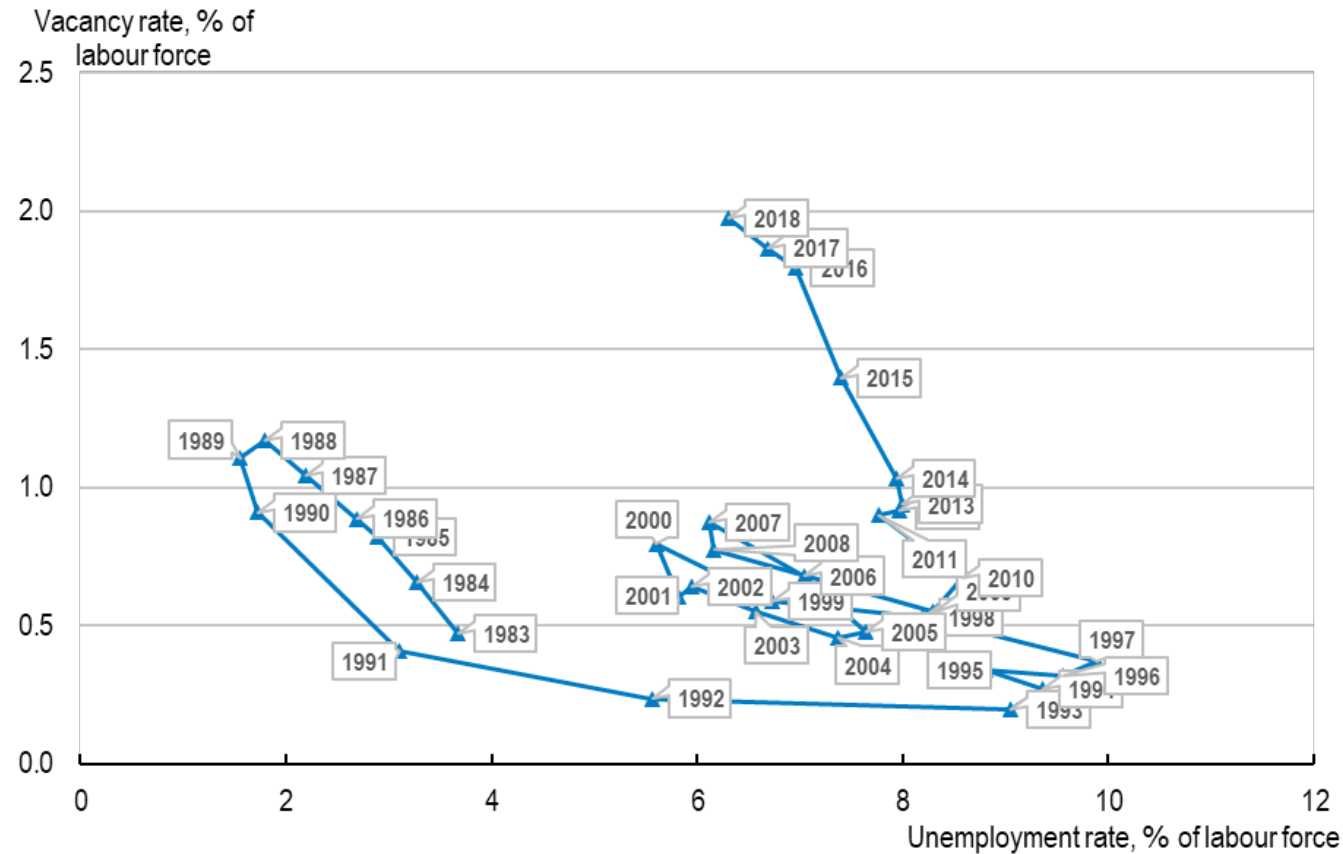
## Recommendation on business regulations and competition policies

---

- Continue to use digital tools to improve services, simplify procedures and shorten licences and permits processing times.



# Labour market mismatch is increasing

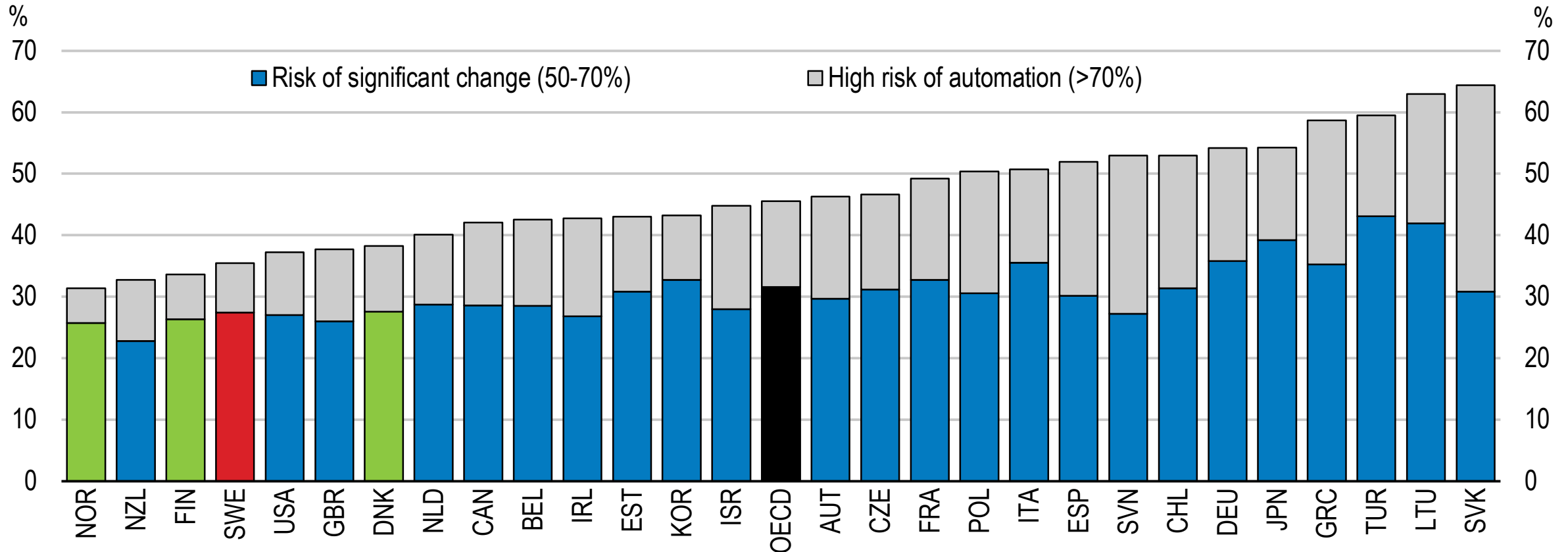


*Note:* An outward (inward) shift of the Beveridge curve over time implies a decrease (increase) in the efficiency of labour market matching.

*Source:* OECD Registered Unemployed and Job Vacancies dataset and Annual Labour Market Statistics, and Statistics Sweden.



# Many jobs are at least partially at risk of automation

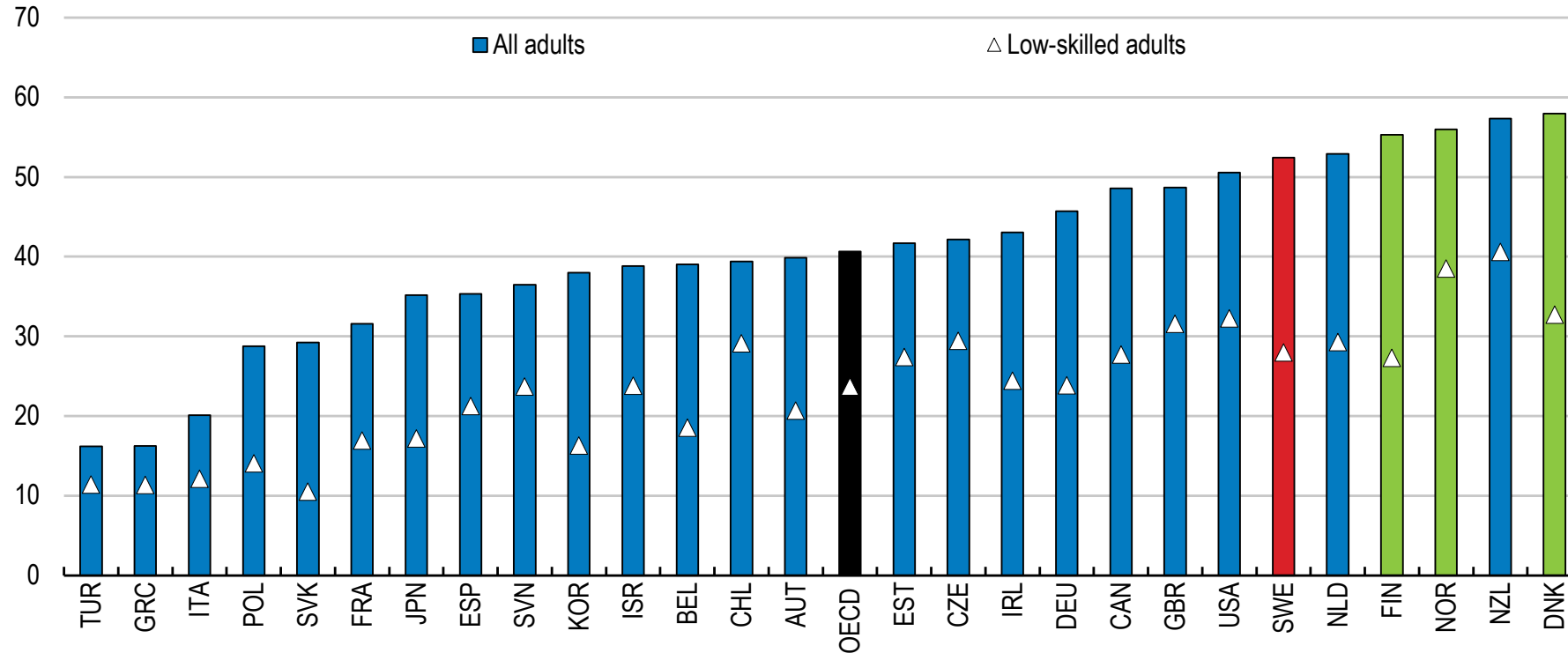


*Note:* Jobs are at high risk of automation if the likelihood of their job being automated is at least 70%. Jobs at risk of significant change are those with the likelihood of their job being automated estimated at between 50 and 70%.

*Source:* Nedelkoska and Quintini (2018).



# The low-skilled receive less training than others

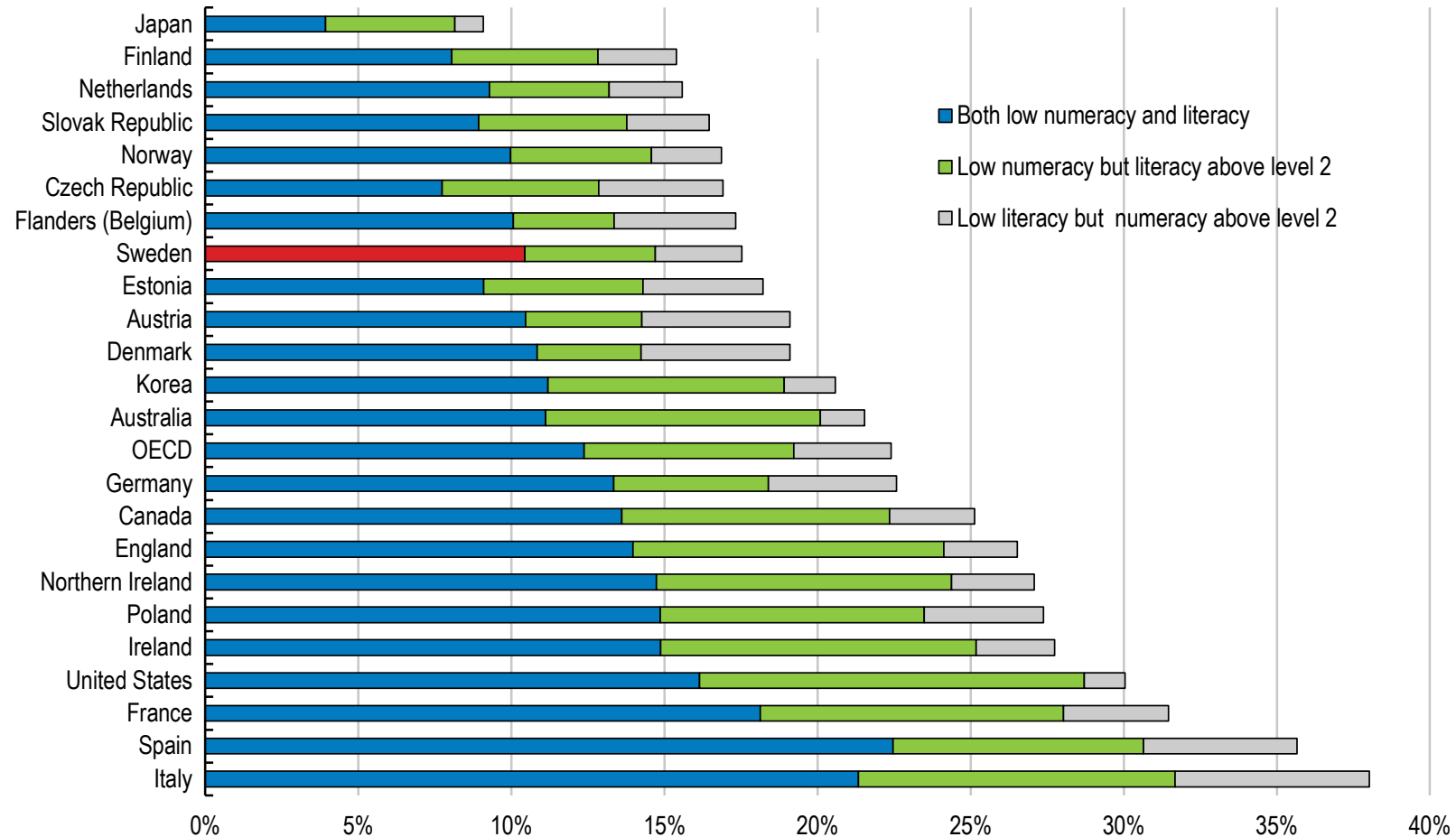


*Note:* Low-skilled adults are defined as people scoring at or below a PIAAC literacy score of 225 points.  
Source: OECD calculations based on the Survey of Adult skills (PIAAC).





# Nearly one adult in five lacks some foundation skills



Source: Musset, P. (2015), "Building Skills for All: A Review of Finland", OECD Skills Studies.



## Recommendation on labour market and adult skills policy

---

- Develop adult education, in cooperation with the social partners, including for people in unconventional forms of work.



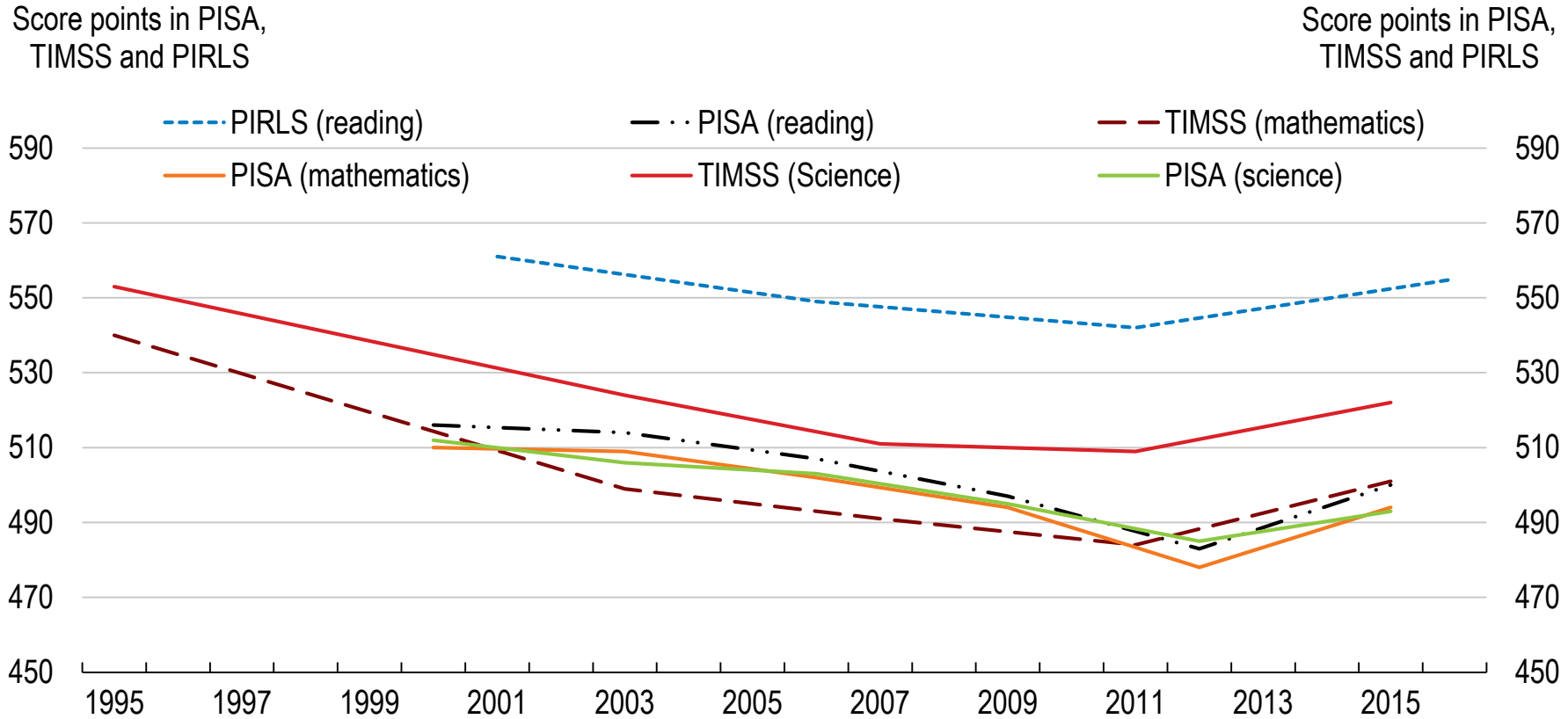
# Quality and equity in Sweden's schools





# School results may have bottomed out, but there is room for improvement

## Sweden's test results in international skills surveys for children of school age



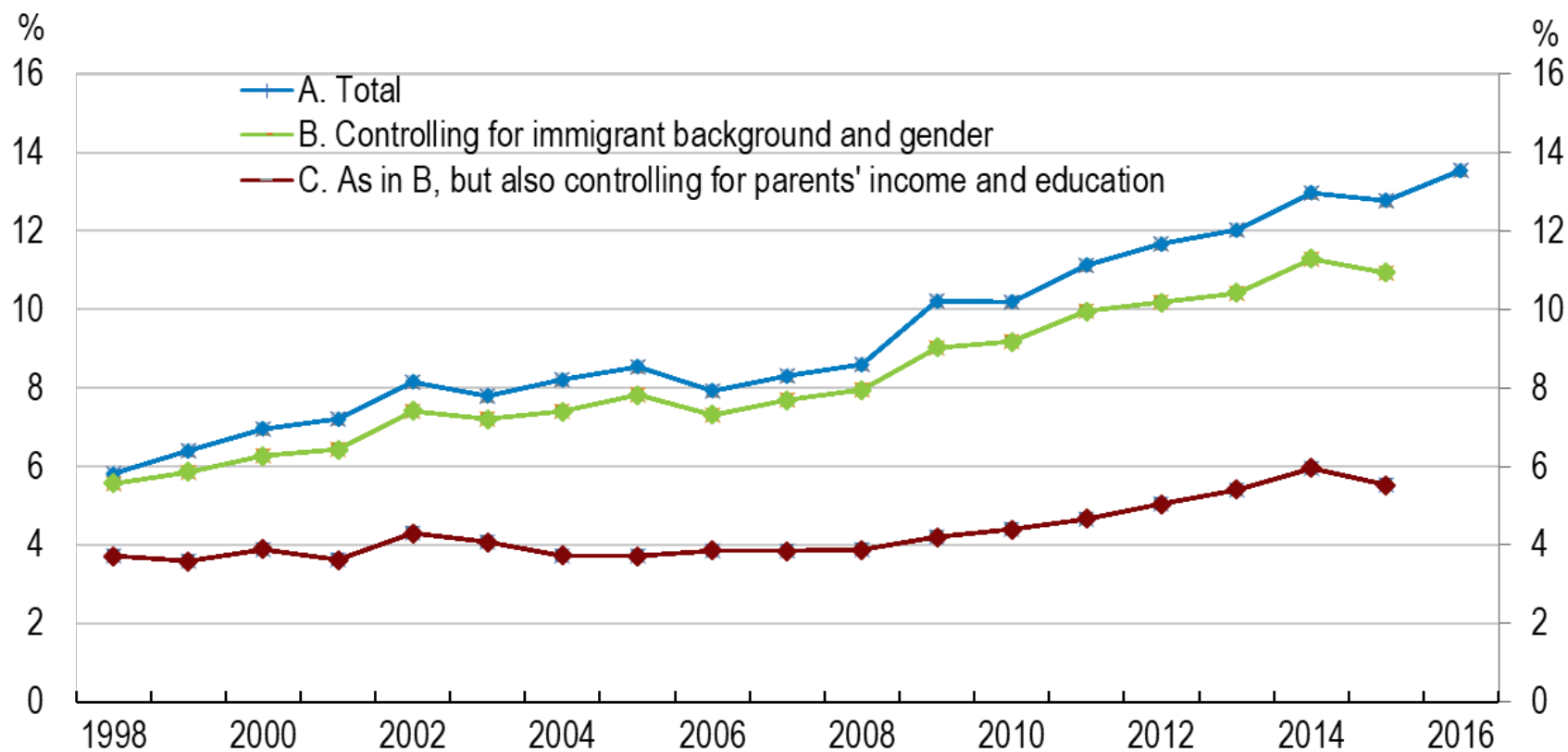
*Note:* PIRLS denotes the national average results of fourth-graders in the Progress in International Reading Literacy Study. TIMSS denotes the national average results of eight-graders in the Trends in International Mathematics and Science Study. PISA denotes the national average results of 15-year-olds in the OECD Programme for International Student Assessment.

*Source:* OECD (2016[4]), Mullis et al. (2017[19]; 2016[20]), and Martin et al. (2016[21]).



# The school system reinforces societal trends towards segregation

Between-school grade variation controlling for socio-economic background



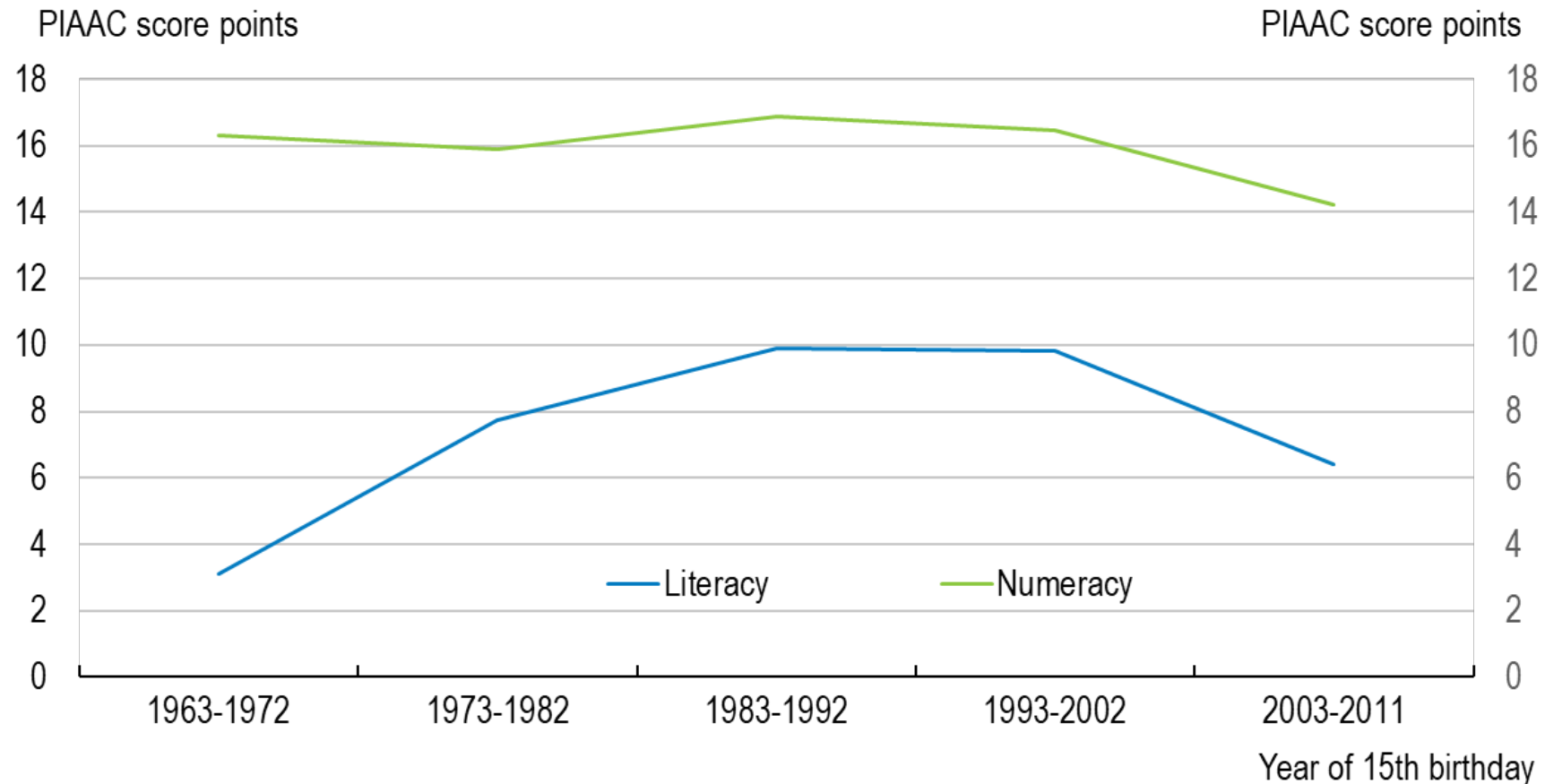
*Note:* Grades are grade point averages of 9<sup>th</sup> grade pupils. Between-school variation is the share of total grade points variation explained by between-school average grade points variation.

*Source:* Skolverket (2018<sub>[6]</sub>).



# 1990s reforms probably contributed to falling results

Difference to PIAAC average by 10-year age cohort



*Note:* This figure shows that skills in the Swedish population compared to the PIAAC average peaked with the cohorts ending compulsory school (approximately at the age of 15) before the 1990s school reforms.

*Source:* OECD Survey of Adult Skills (2012).



## Steps have been taken to rectify the situation, but policies could have been more coherent

---

- Strengthening reading, mathematics and science.
- More detailed rules/curriculum, national tests and tougher inspections.
  - Makes sense, but increases the administrative burden and may stifle innovation and teacher autonomy at the local level.
- Grants to benefit pupils from weak socio-economic backgrounds and to raise teacher attractiveness.
  - Central level involvement warranted, but fragmented system.
- The School commission offers a more holistic approach.



## Recommendations focussing on three areas of reform

---

- Re-instate instruments for (soft) central level coordination.
- Use choice and competition as a force for improvement, while mitigating segregation and other negative side-effects.
- Make teaching a high-status occupation by raising teacher training quality, peer support, and accountability.

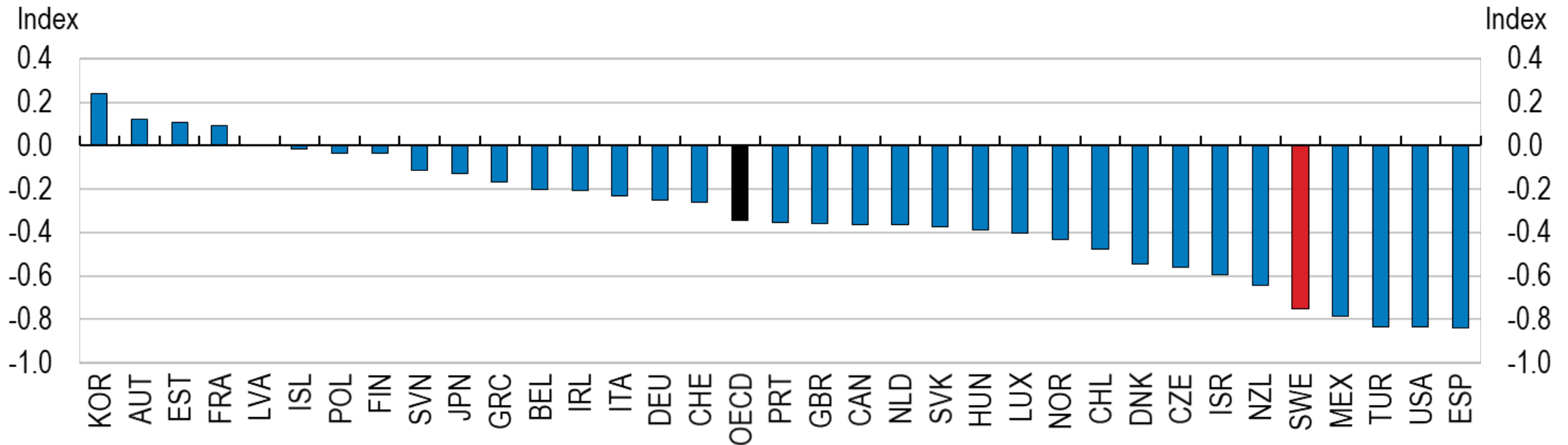
Recommendations are mostly in line with those of the School commission.





# Targeting of resources to socio-economic needs is insufficient in many municipalities

Shortage of educational staff – difference between advantaged and disadvantaged schools



Note: Negative values indicate higher shortages in schools with low socio-economic status. As reported by school principals.

Source: OECD, PISA 2015 Database, Tables II.6.2 and II.6.15.



# Continuous improvements to teaching and school organisation is not the norm in all municipalities

---

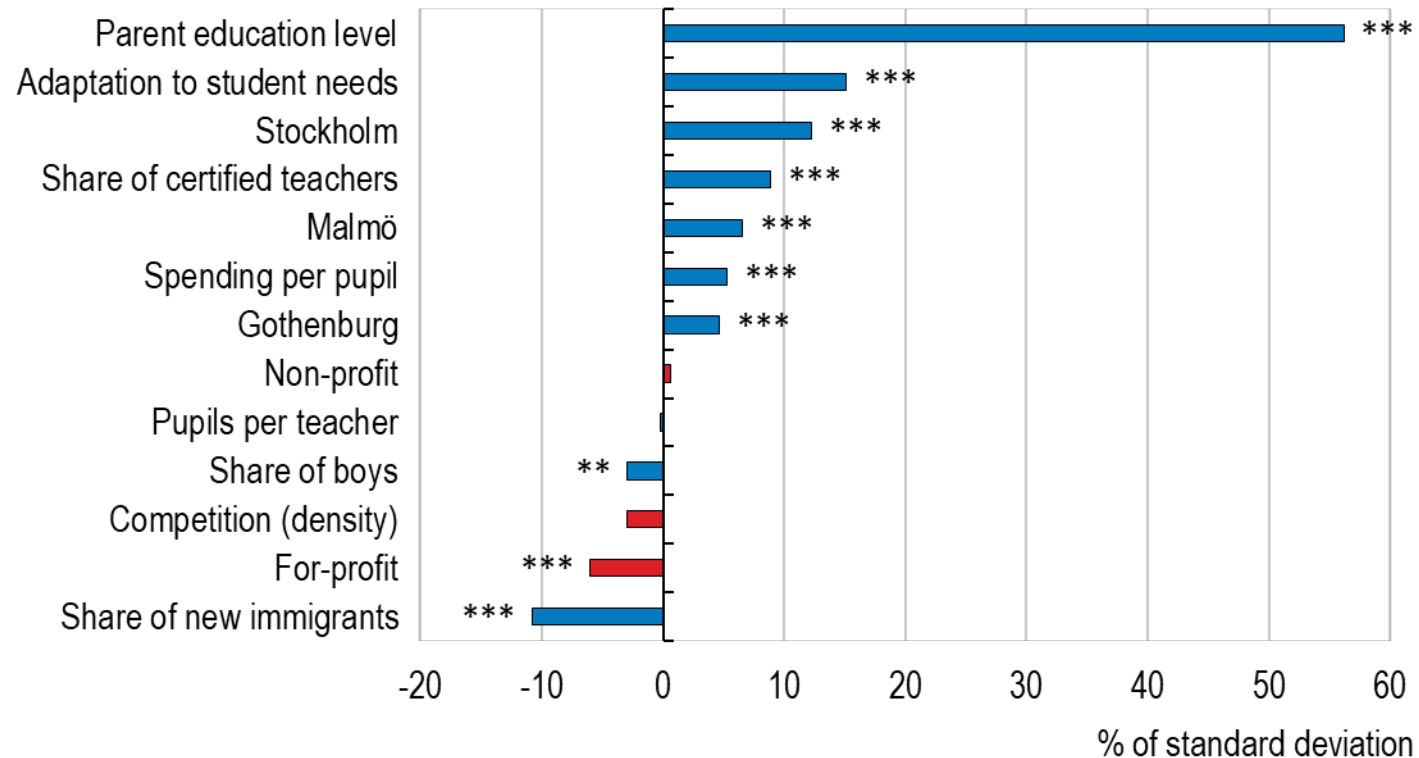
- Municipalities vary greatly in size, capabilities and political priorities.
- An active approach to school leadership, teaching and accountability can improve results.
- Example: Essunga municipality.





# Potential gains from competition and private provision are not realised in Sweden – on average

Change in mathematics test score associated with a one standard deviation change in the independent variables



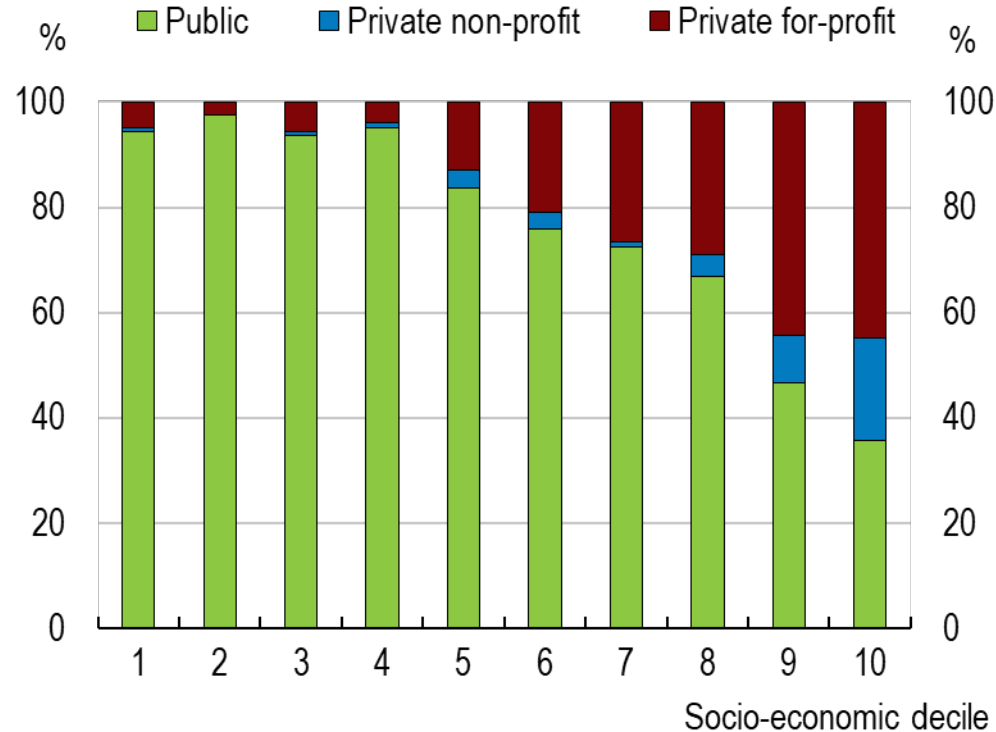
Note: Standard deviations change in math scores for a standard deviation change in the exogenous variable.

Source: Table 4 in André, Pareliussen and Hwang, forthcoming.



# School choice contributes to school segregation

## Private schools attract pupils with favourable backgrounds



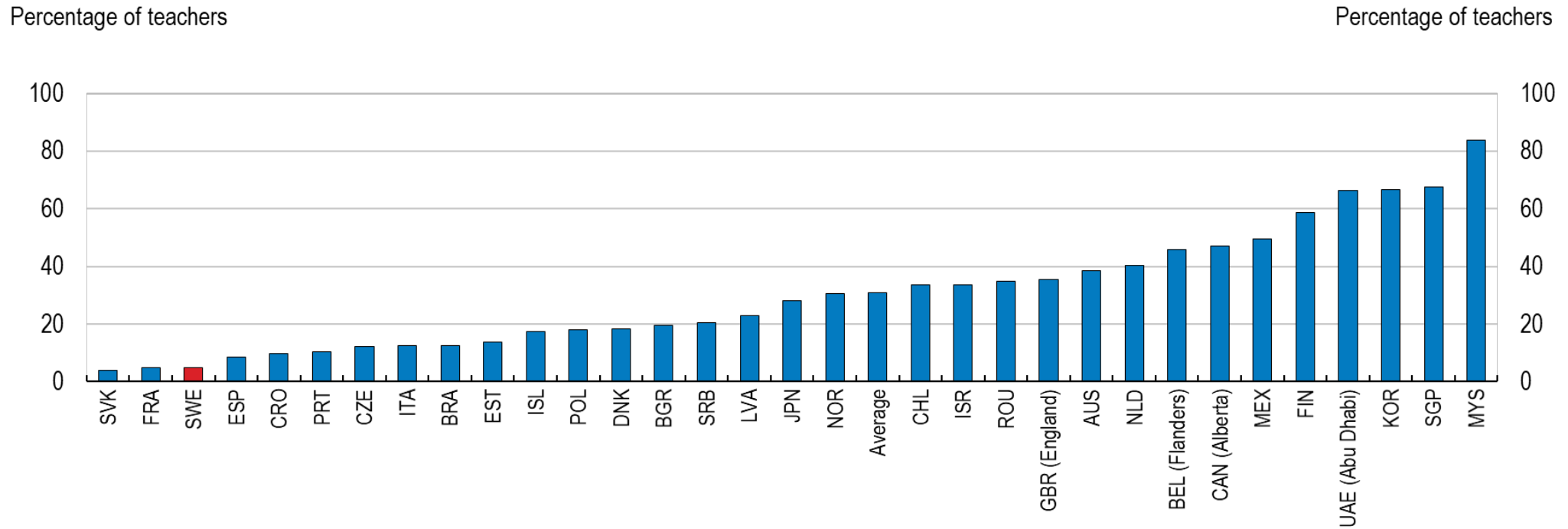
*Note:* The figure shows schools sorted into deciles according to their socio-economic mix of pupils. Schools are not weighted by size.

*Source:* Author's calculations based on André, Pareliussen and Hwang (2019<sub>[10]</sub>).



# Teaching is not seen as a high-status occupation

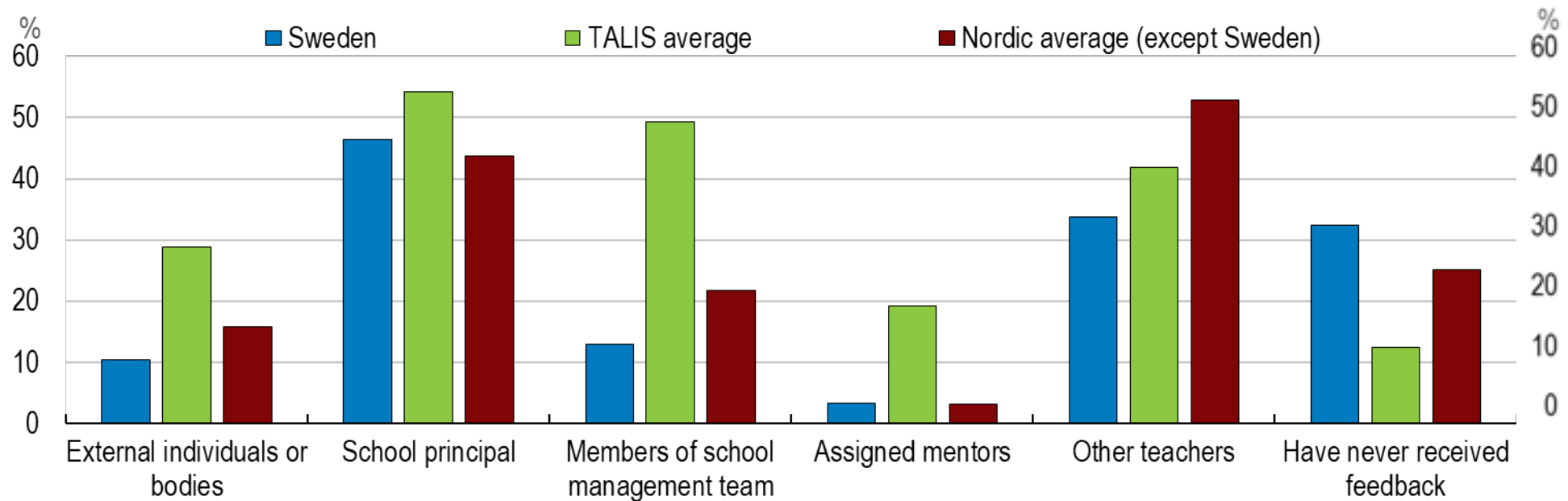
## Percentage of teachers who agree that the teaching profession is valued in society





# Teacher appraisals, mentoring and peer-to-peer learning are patchy

Share of lower secondary education teachers who report receiving feedback in their current school



*Note:* Feedback is defined broadly as any communication of the results of a review of an individual's work, often with the purpose of noting good performance or identifying areas for development. The feedback may be provided formally or informally.

*Source:* OECD, TALIS 2013 Database, Table 5.4.



# Recommendations on education policy

---

## **A stronger institutional set-up**

- Introduce a non-binding minimum norm of school financing, integrated with the national income equalisation system, to better target funding towards disadvantaged groups.
- Develop a regional arm of the central government school governance structure tasked with systematic quality improvement, inducing local cooperation, continuous teacher training and inspections.



## Recommendations on education policy (cont.)

---

### **Steer competition and choice to deliver in line with the public good**

- Remove sources of bias in national test grading to create an objective benchmark for school performance, and use it to remove differences in grading leniency.
- Weigh high and low grades symmetrically and suppress the requirement to pass in certain subjects to enter upper secondary education.
- Take the socio-economic mix into account when investing in new schools and in school entry.





## Recommendations on education policy (cont.)

---

### **Teacher quality and standing**

- Strengthen teacher education with more instruction time, teacher practice and research.
- Improve continuous learning and development through a regional school governance structure, systematic peer learning and continued mutually beneficial cooperation with universities.



# FOR MORE INFORMATION



André, C., J. Pareliussen and H. Hwang (2019), *What drives the performance of Swedish lower secondary schools?*, OECD Economics Department Working Papers, forthcoming.

<http://www.oecd.org/eco/surveys/economic-survey-sweden.htm>

