Restarting Sweden – June 2020 action package

Mobilising for jobs

Reforms for a more competitive and sustainable Sweden

SVENSKT NÄRINGSLIV
SWEDISH ENTERPRISE

Restarting Sweden

The right reforms will accelerate Sweden's restart

The coronavirus crisis is not only threatening our lives and our health, it is also striking business and jobs widely. The downturn in the economy is deep and the recovery is expected to take a number of years. However, proper reforms can help accelerate the restart and lay the foundations for a more competitive and sustainable Sweden.

The immediate crisis measures taken to make it easier for companies to go into hibernation and for people to keep their jobs have meant that Sweden is in a better situation than would otherwise have been the case.

The goal now is to step out of the crisis. We must do what is required to avoid losing a whole generation of young adults to long-term unemployment and to provide businesses with the conditions required to become the engine for jobs that Sweden so urgently needs. We must also not lose momentum on our actions against climate change. The innovative power of business will be crucial in meeting this challenge.

The crisis has accelerated the structural transformation and reinforces the importance of digitalisation. A strengthened national digitisation capacity will be crucial to both our competitive power and to our ability to cope with the transition to a more sustainable society. Companies not only need to bounce back but will need to have the conditions necessary to be even more competitive. That way, they will be ready to face the increasing international competition where the race for skills, technology and investment will only accelerate.

The wheels of the economy can only start turning if we can stimulate demand, both in Sweden and the outside world. Demand, trade, consumption and investment will start when there is predictability and good prospects for business. It is essential to create confidence in the future in order to boost the economy.

Our elected officials now have the task of showing leadership and improving the conditions for all those companies creating jobs and welfare. Under the right conditions, they will have the courage to hire, invest and trade. If the spread of infection does not decrease, we face the risk of introducing new restrictions in the economy. The economic uncertainty created by the pandemic must not be reinforced, for individuals or for companies, by unclear guidelines. Consumption, as well investment, must be restarted. Government finances will be strengthened by companies' ability to compete and a growing economy – not by new taxes.

The crisis is global. Obstacles to trade that arise both within and outside the EU, need to be removed. Sweden must be a strong voice in the EU for free movement and free trade. As our neighbouring countries in Europe reopen, Sweden also needs to be part of that process.

Without the right conditions for companies to operate, develop and grow, Sweden risks falling behind. When temporary crisis policy is shifted towards long-term restart policy, a strengthened business climate needs to be the focus. The way out of the crisis can only be led by empowered companies who take risks and can invest and create jobs. In this document, Swedish Enterprise proposes an initial package of measures with concrete proposals for restarting the economy. The proposals are based on our overall economic assessment and are targeted at addressing those problems that were made particularly visible during the crisis.

Sweden needs reforms to:

- Strengthen private and public investment
- Increase transparency and trade with the outside world
- Fight unemployment and strengthen the supply of skills

Five of the main proposals in the package of measures are:

1. **Securing the investment climate with a moratorium on increased taxes on jobs and businesses**
2. **Strengthening the knowledge economy with R&D packages**
3. **Improving skills provision by securing mobility and labour migration**
4. **Expanding digital infrastructure for Sweden's competitiveness**
5. **Reducing the costs of hiring through reduced employer's contributions**

Swedish Enterprise is ready to contribute to this ongoing work and will during 2020 propose further measures with a focus on structural reforms for a more competitive and sustainable Sweden. This is the first of three restart packages.

Our economic assessment in brief – great uncertainty, a steep fall and a long way back

- Swedish Enterprise's economic assessment is that the country's growth will fall by 6.1 percent in 2020. In 2021, it forecasts an increase of 3.4 percent.
- Unless the right political decisions are in place, it will not be until the end of 2022 before the growth tap is opened again.
- Only after 2023 is unemployment estimated to return to pre-crisis levels. However, evidence from previous crises tell us that the effects on the labour market are likely to be longer lasting.

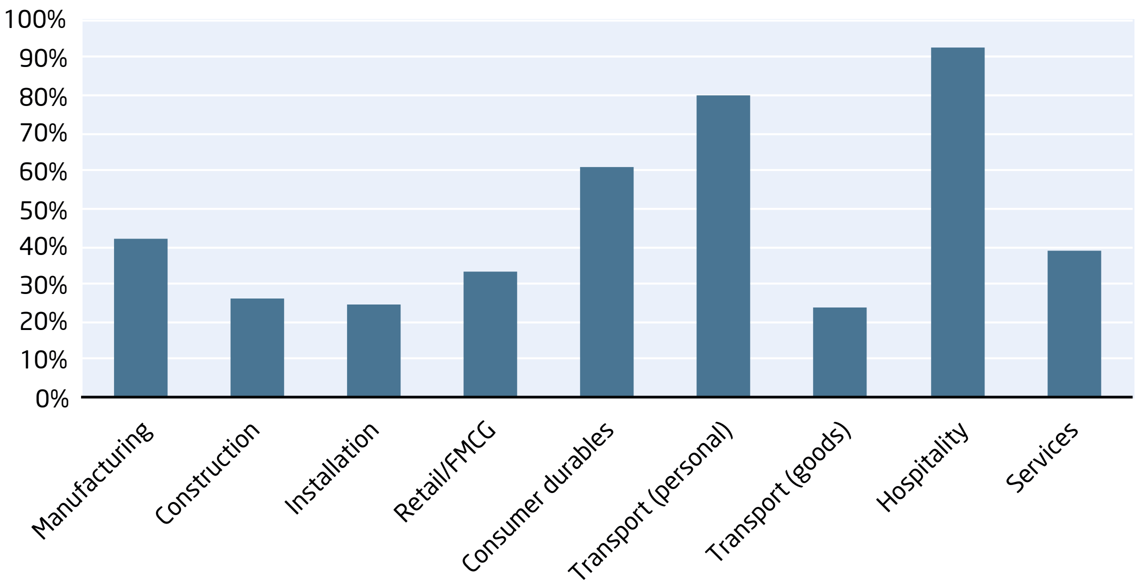
Table of Contents

1 The Swedish economy is falling steeply – the recovery will take several years

The uncertainty surrounding economic growth has been high since the coronavirus pandemic began to spread around the world. Unlike previous crises, the effect of the coronavirus crisis has created new challenges; the closure of society has caused major problems for otherwise viable and profitable businesses. This change happened almost overnight; companies that in January this year had planned to invest and expand their operations have now been forced to lay off staff, give them notice and – in some cases – file for bankruptcy.

The effect of the crisis has been broad and has hit a number of sectors particularly hard. Notably hard hit have been the hospitality, retail trade and passenger transport industries. The manufacturing industry has also been severely affected by both supply chain disruptions and falling international demand. The negative impact on the service sector has depended, to a great extent, on the nature of each company's customer base. Major construction projects currently appear to be progressing according to plan, but house building construction has slowed notably, and the construction market is at risk of being undermined by the economic downturn.

Figure 1. Percentage of companies, by industry, whose sales / order intake has decreased by 20 percent or more compared to six months ago.



Source: Swedish Enterprise Business Entrepreneurship Panel, April 2020.

However, no one can know for sure how long the virus will continue to spread, or at what rate countries will be able to reopen their borders. Most countries have already provided massive support packages to mitigate the financial consequences of the crisis. While this has had an effect, it is not yet clear how many companies and jobs can be saved.

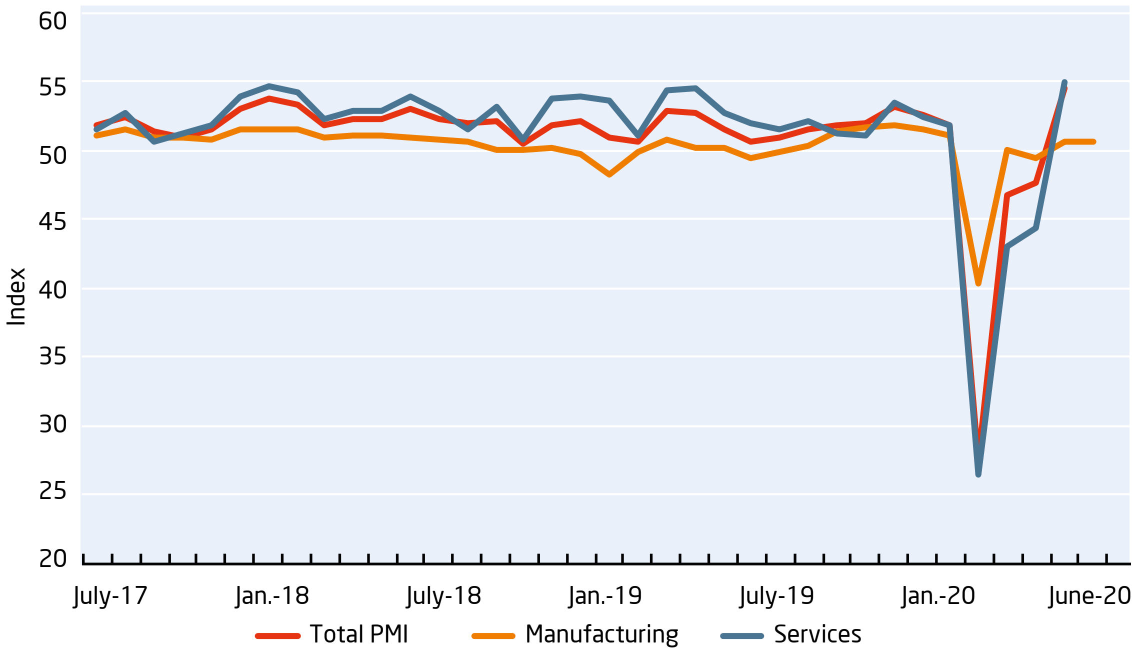
In recent weeks, some countries have indicated that they will relax their restrictions and begin to reopen for increased travel, seeing a slow return to something approaching normal. Sweden's economy is closely linked to developments in other countries and these developments should support economic activity. However, our assessment is that the recovery will take several years.

1.1 Developments in the economy in recent months

1.1.1 The global economy

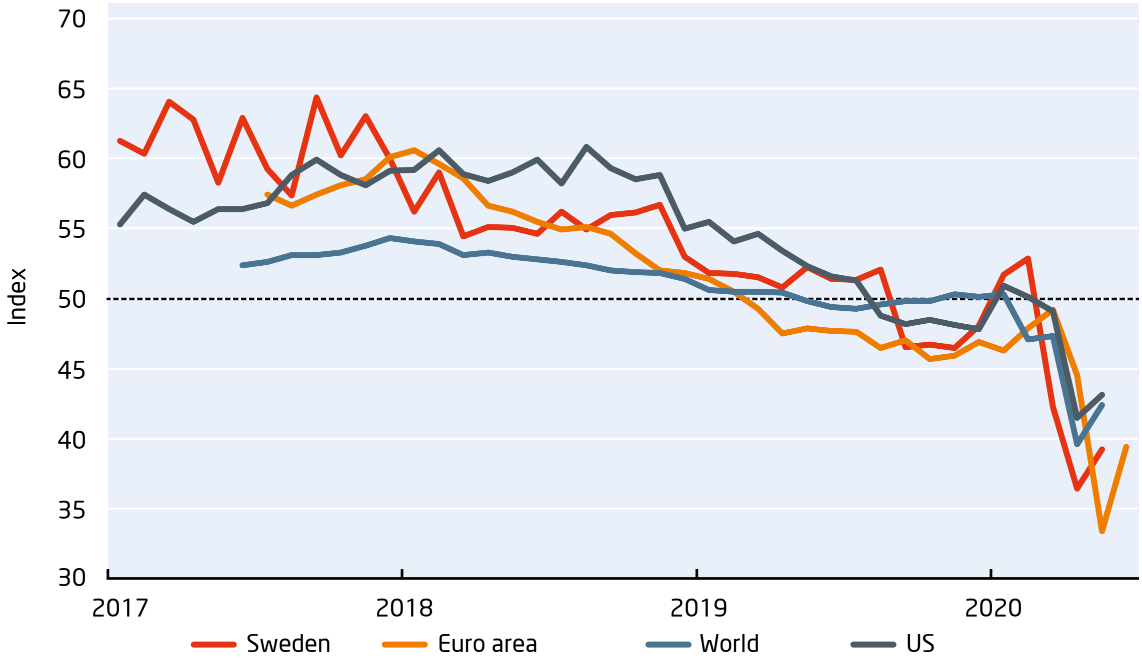
Different countries are at different stages in the spread of the virus. Some countries that were affected early, such as China and South Korea, have reopened their societies and have largely returned to more normal economic activity (see Figure 2). On the other hand, other countries have a longer way to go to get back. Fortunately, the United States and most EU countries seem to share a common status, in as much that it appears as if the worst weeks have passed in terms of closed communities and downturns in the economy.

Figure 2. Chinese Purchasing Managers' Index



There have been many recent indications of societies restarting recently, including Italy, Germany and France. Many European countries have, or are now considering, relaxing their travel restrictions, at least within the Schengen area. This is contributing to a fresh increase in future confidence among households and companies. Despite minor improvements in recent monthly measurements within the EU, future confidence remains heavily depressed (see Figure 3). This indicates continuing weak economic activity in much of the EU in the coming months.

Figure 3. PMI in a range of countries



In the US, unemployment benefit applications have reached historically high levels since the beginning of the crisis. Since mid-March up to May 23, almost 41 million Americans have lost their jobs, with unemployment reaching 14.7 percent in April. However, the rate of increase has been declining in recent times, which also indicates that the most acute crisis weeks in the international economy are behind us.

1.1.2 Swedish economy

Sweden has received international attention for adopting a somewhat different strategy in limiting the spread of infection. Fewer elements of prohibition and more recommendations has meant that Sweden has so far closed down to a lesser extent than most other European countries. Despite this, some industries have experienced almost 100 percent downtime, resulting in profit warnings, unemployment and bankruptcies.

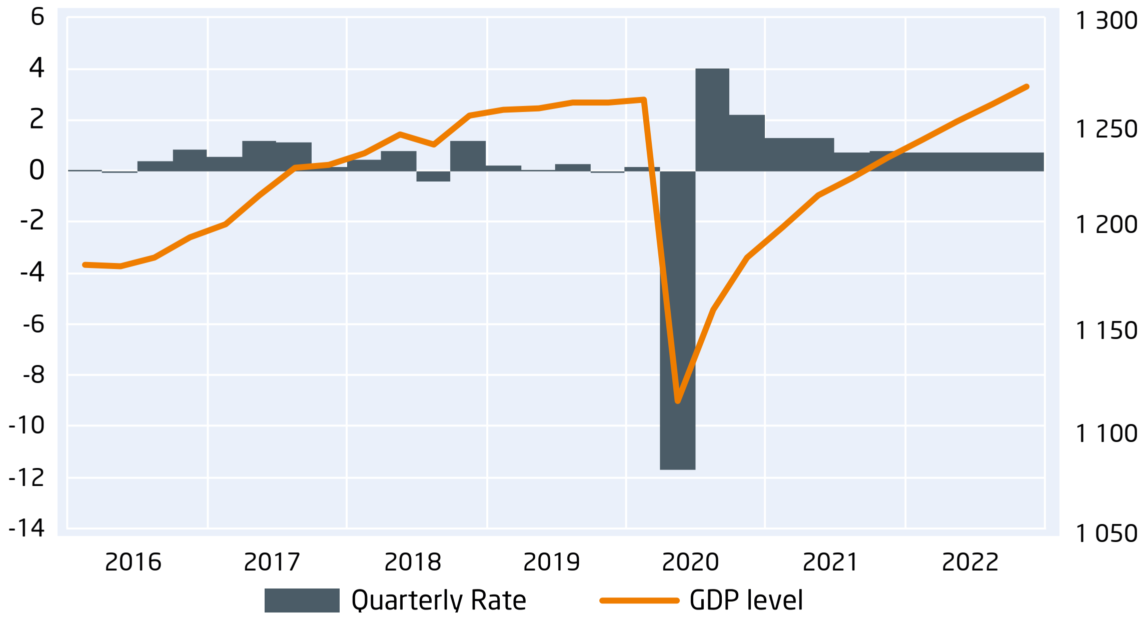
Notification statistics were deeply concerning during the crisis, with record high weekly figures. Fewer have been notified in recent weeks, but the levels are still higher than would be expected during a normal year. Historically, only a small portion of notifications resulted in actual dismissals. In the 1990s and 2000s, this proportion was below 50 per cent and varied largely in line with the economic situation. However, those who are dismissed after being notified are at greater risk of long-term unemployment. The guaranteed renumeration for short-time work used by many companies have helped to keep unemployment down. In total, as of 1 June, approximately 514,000 people were on short-term leave between 20 and 80 percent of working time. This corresponds to approximately 10 percent of the workforce.

The confidence indicators for the Swedish economy all described a highly serious situation in April and May. The National Institute of Economic Research's business cycle survey showed its largest-ever fall in April, and the future development in most industries was viewed to be extremely weak. May's barometer indicated some stabilisation, but most industries are still in a very weak position.

Expectations for future production, sales, investments and employment fell sharply for the second quarter in the Swedish Enterprise Business Panel. The companies' assessment of developments in the coming six-month period is at about the same levels as it was during the financial crisis.

1.2 GDP falls by over 6 percent this year

Figure 4. GDP development



In our estimation, Swedish growth will fall by 6.1 percent during 2020 and then increase by 3.4 percent in 2021. Our assessment is that it will be late-to-end 2022 before we recover the losses caused by the coronavirus crisis. This is a few quarters longer than it took to recover from the recent financial crisis.

The recovery is largely being driven by highly expansionary policies, with low interest rates and a fiscal policy that supports the economy for a long time to come. As a result, the central government debt (Maastricht debt) will increase to close to 50 percent of GDP. There will continue to be a certain margin up to the EU-stipulated requirement for maximum indebtedness of 60 per cent and Sweden will continue to have a debt ratio lower than that in most comparable countries. Before the crisis, the EU average was about 80 percent, while at that time Sweden had a debt of 35 percent of GDP.

1.3 Unemployment reaches over 10 percent

The situation on the labour market looks serious for the coming years. Unemployment has already begun to climb. Youth unemployment is rising steeply and is now 27,000 higher than at the same time last year. The assessment is that unemployment will continue to grow over the next few months. It is projected to rise to close to 12 per cent before slowly returning to pre-crisis levels.

Of those forced into unemployment, the majority have a weak position in the labour market. This makes it difficult for them to make a quick return to work. With economic activity expected to increase towards the latter part of 2020 and confidence in the economy expected to return slowly, employment will also be positively affected. As a result, unemployment is expected to fall slightly next year from the high figures at this year-end. Nevertheless, the yearly average for unemployment will be slightly higher in 2021 than this year (see Table 1).

Table 1. Economic assessment

	2020	2021
GDP	-6,1 %	3,4 %
GDP, Calendar-Adjusted	-6,3 %	3,2 %
Unemployment Rate, Per cent of Labour force	9,7	10,4

Source: Swedish Enterprise.

1.3.1 A long time before unemployment is pushed back

Like previous crises, the coronavirus crisis will also affect the types of jobs that will exist. The crisis is accelerating digitalisation and our way of working. This means that many of those forced into unemployment will find it harder to come back, further contributing to underlying unemployment being pushed upwards in the coming years. Swedish unemployment is therefore not expected to return to pre-crisis levels even in 2023.

1.4 Continuing great uncertainty

All forecasts have a degree of uncertainty, and this uncertainty tends to be considerably greater in a crisis situation. In addition to the risks of a possible spread of the infection, trade conflicts – principally between the US and China – can re-ignite. Judging by how dramatically finance markets respond to even the slightest restriction on trade opportunities with China, such concerns – in addition to viral turmoil – may see stock markets fall, with impact on the global economy. There are also other, more regional uncertainties, such as continuing uncertainty over Brexit and how well some emerging economies will be able to cope with increased debt levels in the wake of the crisis.

Overall, the next few weeks are likely to be decisive for how successful countries are in reopening their societies. It also remains to be seen how the virus will spread during the autumn and whether it will be possible to detect and isolate regional virus outbreaks in the future. This will have a big impact on how far society will be allowed to return to normal until such times as a vaccine eventually becomes available.

2 A more competitive and sustainable Sweden

2.1 Sweden's recovery is dependent on the outside world – restore confidence

Several tough years await the Swedish economy. Sweden's recovery is, to a large extent, linked to developments outside our borders and in the global economy. Not least, the EU recovery and the restart of the internal market will be key. It is important to Swedish interests that the EU Commission's 'Recovery Plan for Europe' provides structurally appropriate measures to both stimulate the economy in the short term and build competitiveness and sustainability for the future.

At home, we also have great opportunities to accelerate the recovery and lay the foundations for a more competitive and sustainable Sweden. The goal must be that Sweden, post-crisis, is in a better position than before the pandemic struck. With the right measures, GDP can begin to grow faster, the increase in unemployment will slow down and investments that develop business will be implemented.

In order to break the downturn in the economy and create confidence, so that both companies and households feel empowered to act, the clarity of policy and government over which guidelines apply will be absolutely crucial. Linked to this, the image of Sweden in the outside world – positive and negative – will also play a major role. The entire business sector, from the Swedish export industry and the transport of goods and services to domestic trade depend on openness and mobility, as do the hospitality and construction industries. This requires a concerted effort, where the government has a special responsibility to monitor international forums so that Sweden is not disadvantaged when borders are opened.

2.2 The crisis measures for the companies will be the basis for the restart

This spring's extensive financial measures have been aimed at reducing the risk of otherwise viable companies going bankrupt during the crisis and increasing the chances that employees actually have jobs to go back to following the end of the pandemic crisis. Sweden's strong public finances have helped facilitate decisions on crisis measures.

At the same time, many companies have taken a key role in the crisis and have shown the way forward by quickly adjusting and adapting their operations. Without that momentum and all the companies around the country in fundamentally good-health, the downturn would have been even deeper.

The extensive measures in the early phase of the crisis mean that we are now in a better position than if we had not implemented them. While some industries are now seeing a degree of stabilisation, many industries have reduced order books and face a slow recovery. Ahead of us, we face a period of unemployment, integration problems, increased transfer costs and lower tax revenues. It is in such an environment that our companies must fight back.

2.3 Strong reform is needed in order for Sweden to step out of the crisis stronger

Getting the economy started and emerging stronger from the crisis requires a labour market that is characterised by flexibility and good access to the right skills at the right cost. It also needs a greatly expanded infrastructure that promotes the movement of people, goods, services, capital and data. An efficient capital market and stable regulations are required to stimulate new investments and we need a strong EU that is a force for global trade and a well-functioning internal market. Developments in many areas are now accelerating, not least in climate change and digitalisation. Sweden now has the opportunity to act and demonstrate leadership in the face of stronger global competition.

As some crisis measures are being extended, we therefore need to look ahead and lay a broader basis for recovery. Swedish Enterprise will present three packages of measures to help restart Sweden and lay the foundations for future sustainability and competitiveness. This is the first package, which focuses on proposals that can be implemented in the near future. The goal is to accelerate the recovery and enable us to move out of the crisis stronger.

The proposals are aimed at addressing problems that became particularly clear during the crisis and which will make a rapid restart difficult. We propose measures to promote higher demand for, and access to, expertise, greater private and public investment as well as increased openness and trade with the outside world.

In addition to these measures, a number of longer-term political processes for reform now need to be launched. Therefore, a number of proposals for Government enquiries and assignments are listed that should be initiated as soon as possible. In future packages, reforms with a more structural character will be presented.

2.4 The restarting measures adhere to three principles

2.4.1 The dividing line between the State and business needs to be restored

During the crisis, the State, through various types of crisis measures, became the ultimate insurance company for an unforeseen event. Many companies are still in the midst of this event, but there will be eventual limits to the type of crisis measures presented so far.

During this crisis, it has become increasingly clear how important companies are as creators of prosperity and welfare. Companies produce the goods and services we need, they create jobs, generate tax revenue and provide services in welfare. It is imperative to return to that normality as quickly as possible.

2.4.2 The basis for consumption and investment is predictability and confidence in the future

Unlike previous crises, this one has proved that the most accessible way to channel government incentives is through the corporate sector. By promoting business survival, job survival is also promoted. To ensure that as many of the jobs as possible remain after the pandemic secures the purchasing power of households and makes them more likely to maintain their level of consumption.

During the restart, it is important to stick with this lesson. Stable households are created via jobs in stable companies. At the same time, the restart needs to take greater account of the need for dynamism and growth in business, which was not possible during the acute crisis phase. Resources, in the form of capital and manpower, need to flow to both existing and new companies in order to ensure a growing business community that replaces the companies and jobs that have been lost. For this, the conditions for investment in business need to be improved.

2.4.3 The restart policy needs to be sustainable and sustained

The starting point for the policy measures proposed in this package is to create a sustainable restart policy. To restart Sweden, reforms will be needed for increased demand and access to skills, increased private and public investment and increased openness with good opportunities for trade with the outside world. The importance of mobility and international trade in Sweden's recovery cannot be overemphasised. At a time when others are hesitant to act, Sweden can play a crucial role in driving the climate agenda through research, development and an investment-friendly policy.

The pandemic clearly shows how uncertainty creates problems for the economy. This must not be reinforced by uncertainty in economic policy. Stable conditions are needed for companies to have the confidence to invest and households the confidence to consume. All speculation over deteriorating conditions for business directly affects companies' actions and will inhibit the restart at a highly sensitive time.

3 Strengthen private and public investment

Many companies have weakened balance sheets. At the same time, the need for investment is great. The incentives to invest and take risks need to be revived. Investing in Sweden requires stable conditions and increased attractiveness. Politics must not reinforce the uncertainty that the pandemic has already caused. Instead, entrepreneurship, willingness to invest and research and development must be promoted locally, nationally and within the EU.

If Sweden is to emerge stronger from the crisis, measures to facilitate investment planning, a process halted during the crisis, must be taken. These could include, for example, the promise of a secure investment climate, a strengthened supply of capital and a powerful R&D package. Both a secure investment climate and special efforts are needed to accelerate climate investments.

Sweden is dependent on well-functioning and sustainable communications that connects the country and makes trade with the outside world possible. This has been severely affected by the corona crisis. Air, rail, sea and road transport must work, for the flow of goods, commuting and business trips. In the short term, it is essential that hard-hit communications can return. In the longer term, there is also a great need for investments in robust and sustainable infrastructure.

At the same time, digitisation is accelerating. The experience of the pandemic clearly points to the need to strengthen the digital infrastructure, and in particular the national IT infrastructure for the welfare sector. The competitiveness of the future will be reinforced when companies can create value through technology development, innovation and the new business opportunities that both climate change and the knowledge economy entail.

3.1 A moratorium on increased taxes on jobs and entrepreneurship

There will be stiff competition for future investment; therefore Sweden's investment climate must be competitive. To stimulate the restart, there needs to be a clear political signal that competitiveness is a priority. The Government needs to make it clear that, in the next five years, there will be no tax increases or other added burdens imposed on companies and jobs. Planned and previously announced tax increases – such as the tax on clothing and shoes – should be shelved, as it would be a further blow to many companies already hit hard during the coronavirus crisis.

The economic theory of rational expectations makes it clear that suspicions of future tax increases are sufficient to inhibit the willingness to invest. Sweden has one of the highest tax burdens in the world, while productivity in the public sector lags behind. The best way for the Government to secure future tax revenue is to aid business and as a result aid jobs and purchasing power.

Suggestions that companies should "repay" risks jobs during a very sensitive situation. If companies are to dare to employ and invest, they need to know that the rules of the game will not deteriorate. Reducing uncertainty is one of the best ways for the Government and municipalities to secure the long-term tax base in Sweden.

3.2 Introduce restart loans with improved terms through the Government guarantee programme for companies

During the crisis, several measures have been introduced aimed at strengthening liquidity through loans. These have been adopted to varying degrees. The government guarantee programme for companies, which are managed by the Swedish National Debt Office, have had a lower utilisation rate than expected. Up to the end of May, only SEK 940 million had been lent to companies from a total guarantee framework of SEK 100 billion. The explanation for this can be found in the fact that the terms are less favourable than the corresponding programmes in other countries, making the risk-adjusted interest rate unreasonably high.

Borrowing opportunities will also be of great importance in the restart process when companies need funds to get back to business. This is both about ensuring that there is sufficient working capital to finance the restart and also to enable the required investment to provide the companies with sufficient momentum. Companies in Sweden need to be able to access conditions that are at least as good as those offered in other countries.

Improved credit opportunities, referred to as restructuring loans, should therefore be offered for a limited time through established channels. Currently, companies can issue guarantees until 30 September. Issuing of restructuring loans should be limited to until mid-year 2021, in order not to impact the privately run credit market in the long term.

In this context, the Government guarantee in programme should be extended from 70 to 80 percent. Furthermore, the Debt Office should sharply reduce, and change the basis of calculation of, the guarantee fee; this is formally paid by the bank, but in practice is paid by the borrower via the bank's interest rates and fees. Thus, it should also not be expected that the programme be self-financed in the long term, as this makes it impossible for the Government to take any risk with its guarantees. Instead, there should be a reserve created for anticipated future loan losses.

As the rule changes will inevitably mean a certain increase in the risk of credit losses for the Government, SEK 0.5 billion should be reserved as public expenditure.

3.3 Strengthened R&D investments

Genuine efforts are needed to ensure that corporate research and development (R&D) does not fall sharply as a consequence of the crisis. Business R&D has decreased during the pandemic, as companies gave priority to other activities. Companies' deteriorating finances now pose a risk of sharply reduced R&D investment in the coming years. This is a scenario that has been evident during previous crises. Research is fundamental to creating the prosperity and society we seek. In addition, knowledge and innovation are the only way to avoid competing with low wages in the long run. This also means that relevant research in digitalisation must be prioritised (see also section 3.4).

The international development of incentives for R&D and similar activities can be assumed to lead to other countries also reviewing and evaluating various fiscal incentives.

Not least, this will be because of developments in the EU and the OECD. The Government should monitor this development closely and, if necessary, act to protect Swedish competitiveness.

Swedish Enterprise believes that a political goal should be set in this autumn's research bill; Sweden's total investment in R&D should increase by at least one percent of GDP by 2030. To overcome the long-term negative effects of the coronavirus crisis, there should be a range of potent measures, including increased government investment. It is about increased public investment in research funding, increased deductions for R&D and improved taxes for experts. It is also important to ensure that research results can be deployed by industry.

Therefore, the following actions are proposed:

- **Increased deductions for R&D.** The current R&D deduction should be improved through increased tax reductions and higher ceilings for research staff. The advantage of raising the ceiling amount is that it is also effective for larger companies. The deduction will lower costs for all companies, as opposed to targeted support that only hits a selection of research companies and also requires long processing times. An improved R&D deduction makes Sweden more attractive for direct foreign investment. In practice, the proposal will reduce the employer's contribution by an additional 10 percent for research staff and raise the ceiling for maximum R&D deduction from SEK 450,000 to SEK 675,000 per month.

- **Improved expert taxation.** The expert taxation rules were introduced in 2001 and mean that only 75 percent of the salaries of foreign researchers and specialists are taxed and added to the basis for employer contributions. The regulations have been criticised in the past for being complex and lacking predictability. In addition, the requirements to qualify for tax relief are higher in Sweden than in, for example, Denmark. The result is that far fewer people in Sweden meet the criteria for expert taxation than in competing countries. The following three adjustments should be made:
  - Change the competency requirements and remove the requirement "significant difficulty in recruiting within the country".
  - Lower the tax limit for experts from 2 price base amounts to 1.5 per month.
  - Increase the period for which the tax relief may apply from three to seven years.

- **Temporarily increased co-financing for new R&D collaboration programs.** As many companies have difficulties in participating in R&D collaboration programmes under current regulations, there is a need to temporarily increase public co-financing by research councils, authorities and institutes. EU state aid rules limit the ability of the public to fund research that constitutes economic activity. The Government should therefore develop supplementary forms of support for R&D projects for industrial research and report it to the Commission, with reference to the temporary framework for State aid during the outbreak of COVID-19.

An increase in the R&D deduction of 10 percentage points (which in principle corresponds to the removal of the employer's contribution) is estimated at approximately SEK 650 million. Given the reductions in research staff that can be expected, and that have probably already partly implemented as a result of the crisis, the net effect is likely to be less.

There is no data available to estimate the number of people who would be subject to improvements to the regulations on expert taxation. Furthermore, a positive effect is to attract expertise to Sweden. An increase in the number of persons who are subject to tax relief is therefore desirable and – insofar as these are people who would not otherwise have paid tax in Sweden – cannot be viewed as a public financial expense. It should also be taken into account that the budget space of SEK 550 million, which was allocated when the standard rule was introduced in 2012, is far from being fully used. Therefore, the additional relief proposed here should already be financed, at least in part.

Temporarily increased co-financing for collaboration programmes will represent a cost, but one expected to deliver positive effects.

3.4 Extend the digital infrastructure

Restarting the Swedish economy competitively will require increased digitalisation, the use of connected products (IoT) and AI technology. This can only happen if the transmission capacity of the digital networks is sufficiently large. Sweden therefore needs accelerated and focused investment in digital infrastructure.

Sweden needs to take steps to stimulate fixed broadband expansion throughout the country and enable 5G technology to get the maximum benefit of digitalisation. Today, many rural households and businesses still lack access to fast broadband. In industry, the trend is towards an increasing amount of data processed directly in the network by means of connected machines communicating with each other in real time. 5G technology facilitates this development. The auction of 5G frequencies has been announced; applications must be submitted no later than 30 June and the auction is scheduled to take place in November.

So far, the broadband initiatives announced do not take into account the need for robust and secure digital infrastructure across the country, nor the use of 5G applications in industry and society. In addition, the investments are confined to only four regions and the funds allocated are much too small.

Swedish Enterprise proposes that funding for broadband expansion be increased five-fold over the next three years. This amounts to SEK 3.2 billion rather than the proposed SEK 650 million. The annual financial cost to the Government for the grant increase will be SEK 900 million. The support should be applicable to more actors than is currently the case, throughout the country, where there is a need.

In addition, the proposal Program for Advanced and Innovative Digitisation (PAID) developed by SAAB, ABB, Ericsson and Teknikföretagen, should be implemented to kickstart Sweden in digitalisation and 5G usage. The proposal is that the innovation authority Vinnova will be commissioned to work with the business community to invest in the enabling technologies of digitalisation, data sharing, cyber security, 5G and other digital infrastructure. The emphasis will be on research, application, testing and demonstration. The programme should be in the order of SEK 500 million per year from the State, with a matching co-financing requirement from business of at least that amount.

3.5 Municipalities and regions should bring forward planned investments

The coronavirus crisis has forced many companies to slow their investments. By bringing forward planned investments, maintenance measures and public procurement, the local government sector can help maintain demand. Thus, the restart will be accelerated, reducing the likelihood that otherwise viable companies will be forced into extensive redundancies or even bankruptcy.

In 2018, gross investments in tangible fixed assets among municipalities and regions (including companies) amounted to SEK 183.7 billion. Primarily in real estate, housing, roads, water, sewage and energy. In addition, large amounts were spent on maintenance. In the coming years, the municipalities face major investments in new infrastructure, as well as major renovations of thousands of schools, homes for the elderly and replacing obsolete water supply and sewer systems.

If ten percent of the investments were brought forward, it would mean an increased investment volume of SEK 18.4 billion on an annual basis. This would create both demand and new jobs. If the municipalities also put in place maintenance measures, the effects on employment could be greater, as maintenance measures tend to be more labour-intensive than, for example, new housing production. The construction of new streets, cycle lanes and VA networks also produces a relatively large effect on employment.

Municipalities and regions should thus bring forward planned investments wherever possible. Swedish Enterprise will hold dialogues with local and regional decision makers to drive such a process.

3.6 Facilitate restarting when deciding on permits and public procurement

Municipalities, regions and county councils are urged to review their application of regulations on licensing and public procurement. The aim should be to mitigate the likelihood of insolvency, bankruptcy or other financial impacts as a direct consequence of the coronavirus crisis.

Guidelines for the application of regulations for licensing and public procurement should be clarified. In so doing, it should be established that the pandemic is an unforeseen event, 'Force Majeure', in line with the European Commission. An example of how this can work can be found in the Swedish Transport Agency, which has made it clear that bankruptcies as a direct consequence of the coronavirus pandemic should not affect the possibility for a trustee to obtain traffic permits when restarting operations in a new company.

Companies whose problems have arisen after 1 March 2020 should be considered as having been impacted by the coronavirus crisis. For operations restarted after bankruptcy, guidance on whether the bankruptcy is a direct consequence of the coronavirus crisis can also be obtained from the trustee's administrator's report.

As a result of the pandemic, many previously viable companies are currently unable to meet the requirements for public contracts or licensing. Companies that successfully survived previous business cycles and changing global conditions have been powerless in the face of the consequences of this crisis. Under the current practice, the necessary permits can be revoked in the event of financial problems, not returned at a restart or take so long to process that the business can no longer be saved. Similarly, participation in public procurement can be hindered or hampered by the business having temporary financial problems or having to restart after a bankruptcy. In order to facilitate a restart at municipal and regional level, there should be efforts and measures aimed at strengthening the liquidity of these companies.

3.7 Abandon the tax liability for the representative

Representative's liability means that a representative of a company can become personally liable for the company's tax liabilities. It is clear from the legal text that liability applies in the event of gross negligence. In the courts, however, this has been interpreted as a very strictly. To avoid liability, the representative must have taken measures to liquidate the company's debts in the interests of all creditors by the time the tax liability falls due.

The only measures that are normally available are that the company applies for corporate restructuring or bankruptcy, or alternatively makes a general payment suspension. This means that companies that could have been saved in the short term may instead be driven towards bankruptcy. The representative's liability thus risks the representative becoming bankrupt and thus inhibits the willingness to invest and take risks. Therefore, the representative's liability should be removed.

In a decision adopted in March 2020, the Swedish Tax Agency has stated that it will not apply representative's liability for taxes and fees covered by the new temporary deferral rules. On the other hand, the general rules on representative liability continue to apply to those taxes and fees for which companies have not requested deferral.

The harmful consequences of representative's liability for business have been known for a long time, but the crisis has exacerbated the problems. During the crisis, the number of bankruptcies has increased by more than 30 percent, with a high risk of this trend continuing. The representative's liability is likely to increase this negative trend. Therefore it needs to be abolished, partly to immediately reduce the risk of unnecessary bankruptcies, and partly to stimulate people into entrepreneurship and business.

A public inquiry into the representative's liability is ongoing, but its directives are strict and do not include the possibility to abolish the liability.

3.8 Trebling the allocation to Industrial Life

Industrial Life is a state supported scheme whereby the Swedish Energy Agency supports the industry's conversion to zero emissions through technology advances. A greatly expanded Industrial Life will stimulate investment in measures that eliminate process-related emissions. This will speed up the process industry's conversion from fossil fuels.

Sweden has one of the most ambitious climate targets in the world: to reach net zero emissions by 2045. This is five years earlier than the EU Commission has proposed as the target for the EU. It is therefore reasonable to assume that the Government should also contribute to the transition. The need for co-financing in investments in technology that can eliminate process emissions is significant. As with other parts of the business sector, heavy industry has been affected by the coronavirus crisis, meaning there is a need for increased funding to ensure that the investments required to eliminate emissions are made.

The allocation for Industrial Life should be trebled to a total of SEK 1.8 billion per year. The proposal will, in the short term, facilitate investment and in the longer term lead to lasting long-term gains in the form of technological developments and reduced greenhouse gas emissions, as well as a positive impact on employment.

The industry's transformation will take place in large investment projects that run for many years. The increased funding will therefore need to be combined with a possibility of grant savings for those years when not all funds may be used. The grant (UO 20:19) is currently SEK 600 million per year and may be used for investments to eliminate process emissions and investments in bio-Carbon Capture Storage. Trebling the allocation to Industry Life would cost SEK 1.2 billion per year.

3.9 Enable companies to offset losses against past profits

A company that does well during a year must pay taxes on its profits. However, if the company makes a loss the following year, it cannot offset the loss against the profit the year before, only against any profits in the coming years. Limitations on such results-levelling opportunities over the years lead to over-taxation of corporate investments and profits and limit their access to capital and liquidity.

The need for changes in the regulations has been made clear by the crisis, as losses for many companies have increased. The restart of the economy would be accelerated if corporate liquidity improved. It therefore needs an opportunity to offset losses on previous profits in corporate tax, a so-called carry back provision.

It would be possible to implement this proposal as early as 2020. This would mean that companies showing losses in 2020 but have been taxed for profits in previous years would have the opportunity to recover previously paid tax as early as 2021. This would mean that the company's liquidity and solvency can be improved at an earlier stage than would be the case when the company can only offset losses against any – uncertain – future profits. Given a corporate tax rate of 21.4 per cent in 2020, each loss-making krona can offset taxes of 21.4 öre (SEK 0.21).

The tax system has long had rules that indirectly allowed subsequent losses, to a certain extent, to be offset against earlier profits. This is through opportunities to allocate part of the profit for the year to an accrual fund, which can then be dissolved during a year when the company loses. However, the opportunity that exists today is limited to a maximum of 25 percent of the year's profit. The fund is dissolved within a six-year period. Since 2005, a taxable interest is applied to any provisions for the fund. This has led many companies to refrain from making such provisions. The purpose of the system – to smooth out the business cycle and to create the conditions for new investments – is therefore no longer fulfilled in many cases.

The possibility of carryback is found in several countries as part of their regular corporate tax system, including France, the Netherlands, the UK, Germany, Canada and the USA. Due to COVID-19, more countries have recently chosen to introduce the principle, including Belgium, Ireland, Norway and the Czech Republic. With the introduction of a carryback rule, companies in Sweden would not be at a competitive disadvantage compared to companies in many of our most important competitor countries.

3.10 Facilitate the supply of capital in the event of changes in ownership

The so-called amount restriction in the deduction limitation rules for deficits needs to be eliminated. This restriction hampers the supply of capital and restructuring, which is of great importance for developing the Swedish business community. With abolished amount limits in the deduction limitation rules, it would be considerably more attractive for an external financier to invest in a loss-making company. Currently, the rules prevent the losses from being used for future deductions in the event of major changes in ownership.

The current Regulation (Chapter 40, Section 15 of the Income Tax Act) means that a company that has unused deductions for deficits from previous years can lose all or part of the right to use these deductions – that is, the right to deduct costs that have been charged to the company. This limitation in the right of deduction occurs during different types of ownership changes; for example, if another company or natural person have a controlling influence over the company or if a limited circle of persons jointly holds a controlling influence.

Opportunities for ownership change are central to business development, not least for companies with accumulated deficits that may, for example, have arisen in times of economic crises, at the launch of a new business, or for companies making investments for expansion. In these situations, the ability to raise capital from new owners can be crucial for the company.

Deduction limitation greatly reduces such opportunities. For the reasons stated, it is important to abolish this restriction, or at least reform it to ensure that it is not triggered when a new owner, through their business plan, can make it likely that the intention is to continue the business of the transferred company or when assets, staff or methods of the company are of value to the purchaser's own business.

It would be possible to implement such a proposal during 2020, which would mean that the benefits for companies would already be available by the end of the year.

3.11 Better depreciation rules in corporate taxation

Despite the crisis, there are companies that have performed relatively well and are considering making investments. Policy needs to encourage these companies to invest, supporting employment and recovery.

According to current legislation, expenses for the acquisition of machinery, equipment, intellectual property and goodwill are deducted from the tax through deduction of value. The main principle is that these expenses should be distributed over five years. Based on the current situation, legislation should be amended so that such expenditure can be deducted in its entirety directly over the next five years (2021–2026). This would create incentives for those companies that have managed the crisis relatively well to accelerate their investments. Thus, they can contribute to a faster and stronger recovery of production and employment.

Because companies that make a profit through faster depreciation are given the opportunity to lower their corporate tax directly, instead of being forced to wait another several years, the liquidity of the companies is strengthened by reduced tax payments. This creates an incentive to increase and advance investments. This is preferable for a number of reasons. On one hand, it would mean an increased rate of investment and an increased demand for labour, while on the other companies would be able to expand faster to compensate for any loss of production due to the pandemic.

The companies' investment calculations would be influenced by lower capital costs, which means that it would be rational to advance and increase planned investments. These in turn would make production in the companies more capital-intensive, increasing productivity in the business sector. Higher productivity, in turn, lays a foundation for higher real wages.

Government finances will have the effect that the state will have access to the tax funds later. The state's borrowing requirement would thus increase slightly. In a few years' time, the higher level of investment and demand for labour would contribute to increased tax revenues via larger tax bases (primarily taxes on labour and company profits).

Legally, the measure is simple and lends itself to rapid preparation. The United States implemented full direct depreciation (full expensing) in the context of the corporate tax reform of 2018, something that the OECD 2018 assessed as having strong and long-term positive effects for the US GDP.

The proposal entails no public financial cost. Implementation can take place immediately, and take retroactive effect due to the pandemic.

3.12 Strengthened road and rail maintenance

The Government needs to increase the maintenance allowance for road and railways and instruct the Swedish Transport Agency to plan for an increased number of railway work in Train Plan 2021. There is also a long-term positive socioeconomic effect in having a more robust and reliable goods and passenger transport system.

The proposal entails an increase in grants (UO 22 1: 2) of SEK 4 billion for 2021, divided into SEK 2 billion for road maintenance and SEK 2 billion for railway. This represents a considerable increase in ambition; however the need is great, and the system is neglected.

In the short term, the pandemic will reduce the number of passengers. This will provide a window that makes it easier to carry out maintenance work on the rail network without major traffic disruptions. Unfortunately, at the same time, it will also see a reduction in the track fees used to co-finance maintenance. An estimated SEK 1 billion will be needed to simply cover this loss.

3.13 Creating a national IT infrastructure for the welfare sector

The coronavirus crisis has created a rapid shift towards more digital working methods, in order to ensure the safety of actors and employees. It is important that this development continues, so that the potential of digitalisation can be realised. However, the lack of a national IT infrastructure has led to numerous authorities- and sector-specific solutions, meaning that the various actors in the welfare sector often cannot communicate with each other.

This complicates the coordination between welfare actors and prevents the spread and development of effective digital tools. The application of AI, research and the processing of big data is also hampered by this lack of infrastructure. In addition, a national IT infrastructure is essential for meeting many of the long-term challenges of welfare.

A functioning digital infrastructure is ultimately the responsibility of the Government. The Government therefore needs to assign the appropriate authority with a remit (preferably following a model from the Digitalisation Board in Denmark) to develop open and uniform technical and semantic standards. When developing these, collaboration must take place not only with SKR but also with relevant organisations in the private sector. In the absence of consensus, the Government must make unilateral decisions.

As early as next year, a special Government grant should be paid to those municipalities and regions that invest in digital solutions, based on the national guidelines. The benefit of the investment should be – according to the Danish model – assessed by the Government. In the event of a positive assessment, it can co-finance the investment. The digital solution must be able to adapt to future national standards. The size of government funding is estimated at SEK 3 billion for 2021.

When it comes to standards, both technical and semantic, it is important that Sweden is in synch with the rest of the world, particularly the other Nordic countries and the EU.

From experience, we know that it is usually business and industry, through innovation, which build future digital solutions. Therefore, it is important that new services and functions are procured according to LOU.

3.14 Making change permits the main rule in environmental testing processes

The Government should implement its previously submitted proposals to make change permits a general rule in environmental review processes. Businesses need to be able to make investment decisions quickly, not least to meet the climate challenges and to continue sustainable development. This means that existing operations need to be changed and environmental permit processes must be shortened. Today, authorities often require that the entire operation needs to be tested in the event of a change. If only the change is tested, many processes, and the restart of the economy following the COVID-19 crisis, can be accelerated.

3.15 Change the rules for VAT on local rent

During the pandemic, the need for flexibility has become increasingly clear, not least flexibility in how premises are used. Current VAT rules are problematic and can cause considerable financial costs when premises are temporarily used as, for example, places of care, offices or others. The VAT rules on renting premises need to be changed to allow greater flexibility and avoid penalising landlords and tenants for being proactive and changing their use of the premises.

Such a measure would also solve the structural problems of a rental tax that currently prevents environmentally sustainable use of premises, prevents shared and flexible workplaces, excludes associations, school / care from premises, prevents flexible store solutions and disadvantages upgraded premises. Problems with VAT rules regularly top the list when companies are asked to describe the burden that they find most troublesome.

The proposal will make it easier to use voluntary tax liability for rental VAT. Among other things, requirements for the tenant's activities, certain defined areas and full-time leasing, would be abolished in order to apply the voluntary tax liability.

VAT costs and future societal effects would be reduced or ended completely if the rules were changed. For many property owners and landlords, VAT is a necessity, a prerequisite for VAT deductions on purchases, operations and investments. If the rental tax does not work, the VAT deduction disappears, and the purchase will be 25 percent more expensive. In addition, large sums in investment VAT (e.g. in construction or rebuilding) must be divided into parts for ten years. Damage clauses are standard in leases, so that a property owner can claim compensation from tenants. Errors in rental tax are more rule than exception; changed use during the pandemic entails the risk of large repayments to the Swedish Tax Agency and claims between landlords and tenants.

4 Increase openness and trade with the external world

Sweden's recovery is dependent on developments outside our borders, not least among our Nordic neighbours and in the EU. To reenergise Sweden requires a restart of the EU's internal market as well as international trade. When Europe gradually reopens, Sweden, and Swedish companies, need to be part of that openness. Mobility and travel, from commuting and business trips to border trade and tourism, are a cornerstone of a well-functioning economy. This applies both to travel to and from Sweden.

A key to exiting the crisis and building long-term success is a well-functioning internal market with free movement of people, goods, capital and services within the EU. The internal market accounts for about 70 percent of Swedish exports and nearly 700,000 jobs in Sweden. Clear and predictable rules, both within the EU and in international trade, are a prerequisite for companies to grow. Obstacles that arose during the pandemic must be quickly eliminated and work for free trade with clear rules of play enhanced. Sweden should take an active role in the EU's recovery and create the right conditions to exploit sustainability, climate change and digitalisation opportunities.

Sweden, along with others, plays an important role to defend and promote free trade. Sustained trade, within the EU and with third countries is – despite aggravating circumstances and interruptions – one of the reasons why the food supply functioned as well as it did during the coronavirus crisis. Protectionist policies, which are currently – and unfortunately – being advocated by several actors in the EU as well as globally, threaten to increase economic vulnerability and the risk of future supply crises.

4.1 Protecting effective competition rules in the EU

Within the EU, a large number of measures are being discussed, which – despite their laudable aims of securing European technical and security autonomy and protecting European jobs – risk undermining competition within the EU and open trade with the rest of the world. This could lead to a much-more closed EU, with serious economic consequences for a trade-dependent country such as Sweden. The focus should be on increasing investments and demand by stimulating competition and greater openness.

The issue is high on the political agenda as a result of the coronavirus crisis and the direction will be largely determined in the coming months. The Swedish government therefore needs to act decisively, together with like-minded partners, to ensure that the basic market economy principles of competition and free trade continue to be upheld.

Companies' opportunities to structure production and trade based on business considerations must be protected from governments seeking to regulate these aspects. The coronavirus crisis may increase diversification of supply chains and crisis preparedness among companies. However, it should be based on commercial considerations and not driven by trade barriers and regulations. Obstacles that restrict companies from organising their own operations can increase vulnerability in future crises. Global value chains must be rebuilt based on market economy, openness and free trade.

Similarly, a weakening of competition and state aid rules with the objective of creating European champions – large companies which, based on a dominant position in Europe, can assert themselves well globally – may lead to a deterioration in the competitiveness and innovation capacity of European business in the long term. In the short term, it could benefit a few larger companies primarily from the larger Member States, but with the risk that other companies and consumers will be disadvantaged as a result.

A large number of new proposals at EU level have been made or announced, some of which may restrict competition and trade. It is essential that EU industrial policy is based on the value of open trade with the rest of the world. It must promote global value chains, where companies have the opportunity to drive efficiency and growth by structuring their production based on what is most effective. In the area of competition, the Commission Communication on market definition and the horizontal and vertical block exemptions are undergoing revision. However, there are also suggestions from a number of directions of a more comprehensive review of the competition rules. The application, and continued management of the temporary state aid rules, is also of great importance for companies to be able to compete on equal terms within the EU.

4.2 Introduce duty-free for inputs

Many companies are totally dependent on being able to import inputs for their production; thus when factories in the EU closed down, it led to a lack of important input products for many industries that depend on a smooth flow of goods. In the EU, the Government should push to temporarily suspend EU import duties on third-country input goods when there is a serious shortage within the Union. Many companies have testified that deliveries have not been met due to suppliers in Europe being closed. A lack of input goods risks creating a domino effect of downtime within the value chains.

Waiving customs duty for intermediate goods would assist companies in maintaining existing production and, to a greater extent, using subcontractors in third countries to meet the demand created by closed factories in the EU. Once coronavirus restrictions are fully lifted European industries affected by lock-downs will also have had the opportunity to procure input goods and be able to resume production. This would lead to greater diversification and even safer crisis deliveries.

There may be a concern that duty-free goods may undermine production of domestic and European inputs. However, the proposal means that duty-free will only apply as long as there is a shortage of input goods which stopping production. The cost of missing duty will be outstripped by tax revenues from preserved production and jobs.

The Government should raise this issue within the EU in order to remove common import duties. Customs clearance can be done relatively quickly, just as has already been the case for protective equipment. The Government should also push the EU to legislate for such a possibility in the eventuality of future crises. If the Swedish government makes the proposal to the Council of Ministers in June, it could be in place by the third quarter of 2020.

4.3 Develop the 'Green Lanes' for the free flow of goods

The transport industry has strongly experienced what limited mobility means for growth. The lockdown has affected the possibility of trade and exchange with other countries. So-called 'Green Lanes' were set up at the initiative of the European Commission to exempt freight transport when trying to control the spread of infection. The green lanes need to be retained for a continued free flow of goods and people.

European supply chains are maintained by an extensive network of freight transport services, including all modes of transport.

The green lanes helped the emergency situation; they work relatively well, but need to be maintained and developed. Continuous and uninterrupted transport of goods on land, waterways and in the air is crucial for the effective functioning of the EU's internal market. A number of Member States are now part of a pilot project to link an app (Galileo Green Lane app) to the Green Lanes to further facilitate cross-border access.

Sweden's geographical location means that we depend on these solutions to work, which is why the Swedish government should prioritise this and other collaborations. Solutions that provide efficient goods and passenger transport across borders should be permanently established. The cost of creating efficient border crossings is significantly lower than the cost of the stops caused by border checks.

4.4 Establish strategic advice for the export and investment strategy

The Government should set up a strategic council, consisting of private and public actors, which acts as an advisor in implementing Sweden's export and investment strategy. There is a need to prioritise and plan the measures most urgently needed as a result of the coronavirus crisis.

The coronavirus crisis will affect Swedish exports, both through the fall in demand and through supply disruptions in global value chains. Sweden needs a plan for how best to help its companies restart their exports. In many countries and regions, huge financial recovery packages are also planned, which in many respects will change the market conditions for Swedish companies in the short and medium term. Sweden needs to ensure that its companies are given the opportunity to be at the forefront in the new market situation which is emerging.

Sweden's export and investment strategy from December 2019 will be decisive in undertaking this work, and there is a need for a body that helps define the strategy, identifies where urgent interventions are needed for Swedish exports in this situation and also formulates concrete proposals. The Government should, therefore, set up a strategic council with this approach as soon as possible; one which includes representatives from the business community.

5 Combatting unemployment and strengthening skills provision

Companies' opportunities to hire are crucial to create jobs and growth. The motivation to re-employ needs to be stimulated by reducing costs, increasing access to the required skills, as well as ensuring the availability of correct education, international mobility and clear rules for those willing to invest and start again.

Those who work from home, have been laid off, put on notice or dismissed now need to return to work as soon as possible. To enable this, the authorities also need to ensure that virus and antibody testing works and that private actors can participate and deliver services. This way, more people can feel safe in returning to work.

The conditions also need to be right for people to quickly change to a new job when structural transformation is accelerated. As in other European countries, Sweden has historically seen high levels of unemployment levels remain even after an economic crisis has passed.

Demand for employment is expected to be weak in the coming years, with low resource use and persistent unemployment. This must be counteracted decisively, to reduce social and economic costs for people and society, not least for those young adults who are now at risk of exclusion if the right measures are not implemented.

In addition, Sweden entered the crisis with several structural problems in the labour market, including a large gap in employment between native Swedes and the foreign born. Those who were far from the labour market even before the crisis hit are now at risk of slipping further away, particularly as a number of the industries where many of them get their first job have been hit hardest.

Lack of skills matching, mobility and incentives to fill vacancies also means that Sweden now faces a situation where unemployment is rising in the wake of the crisis, while the green industries, for example, lack labour. Many parts of the Swedish business community are also dependent on international labour. The COVID-19 pandemic has affected companies' capacity to recruit and retain foreign workers. The provision of skills to industries in need of labour needs to be facilitated.

The incentives for work also need to be strengthened. Several measures, justified in the emergency crisis, were introduced in the spring to alleviate the immediate effects of the crisis. However, they pose a risk to the labour supply if they become permanent. The temporary changes to unemployment benefits and qualification period for sick-leave that have been implemented will need to be reversed. The supply of labour plays a big role for competitiveness, to reduce the pressure on public expenditure and to make us succeed in an integration task that has become tougher than before.

5.1 Reduce the cost of hiring through reduced employer contributions

In general, young people as a group are more difficult to establish in the labour market than their older counterparts. During economic crises and periods of rising unemployment, young people historically have been hit faster and harder, both in Sweden and internationally. Many lose their jobs and then risk being left without their own livelihood for several years. Starting work life following unemployment can leave deep scars, both psychologically and financially. For society, this means that young people's knowledge and power are not being used. The risk is that exclusion and unemployment are rising sharply and – in the worst case – persisting for several years. To counteract these risks and contribute to the restart of the whole of Sweden, the Parliament and the Government need to act.

The general payroll tax should be abolished for persons aged between 18–26. This will mean a reduction in the employer's contribution from 31.4 to 19.8 percent. The reduction would apply to salaries up to SEK 25,000 per month.

Staff costs play an important role in any decision to employ young people with limited work experience and / or skills. One way to increase the appeal of young people is to lower the associated costs. As the demand will be abnormally low for some time, a targeted reduction in employers' contributions may be an effective way to both increasing overall employment and reducing unemployment among young people. The risk of the reduction being overturned through wage increases are significantly lower for this group.

Young people with foreign backgrounds are even more difficult to establish in the labour market than those with Swedish backgrounds. The integration issues in the Swedish labour market are known and have been a problem for a long time; more must be done to remedy these. This proposal is therefore also motivated by the fact that it can help increase employment among foreign-born youth, reducing the social and economic costs associated with their lack of integration in the labour market.

A targeted reduction will lower staff costs, which in this situation can particularly help increase the demand for labour. A targeted reduction can be made more powerful in SEK per person covered, and thus become more significant for the companies' employment decisions. Both private and public employers would benefit from the reduction and lower costs, creating the conditions for more jobs in businesses, municipalities and regions.

Reducing the cost of hiring young people also creates the conditions to increase employment in other age groups. The cost of hiring people up to the age of 26 is reduced. As companies' existing staffing costs for young people decrease, the space for hiring people of all age groups will increase. Two recent scientific studies have shown that the previous reduction for young people worked in this way. Tens of thousands more young people were employed, while the tax cut was also used to employ people over the age of 25. Workplaces and companies have employees of different ages, and as the number of younger ones increases, the number of more experienced people must also increase.

The reduction corresponds to the general payroll tax, which is a pure tax with no connection to the social security system. Thus the measure would mean that the regulations will have improved transparency and increased insurance capability. The public financial impact of the proposal amounts to SEK 18 billion.

5.2 Ensure mobility for international competences

The purpose of the internal market is to ensure that mobility of goods, services and people are a natural part of EU businesses. The restrictions imposed by individual Member States in Europe during the pandemic have meant that labour can no longer move freely across EU borders as they usually can. The same applies to people who work in Sweden but who come from countries outside the EU. In addition, many companies depend on being able to move staff between operations inside and outside EU countries, which is currently limited.

In order to strengthen mobility within the EU, we propose that:

- **The mobility of labour within the EU is prioritised and immediately facilitated,** so that companies are not prevented from doing business. EU Member States should coordinate the return to mobility of workers, based on principles of uniformity and equal treatment. Workers who cross national boundaries, such as expatriates or people who permanently work in another country, need clarity over what rules apply and what documents are required for the temporary border checks.

- **The Government acts to review the quarantine rules.** It is not reasonable for a worker or business traveller to be quarantined for several weeks after crossing a national border. Sweden should work with other EEA countries and at EU level to ensure that the risks of spreading infection are managed in a less restrictive way.

- **Remaining restrictions on travel and transport are harmonised.** For increased mobility, both nationally and internationally, it is important that rules and remaining restrictions imposed during the pandemic are harmonised within Sweden and as far as possible at EU level. For travel and transport, particularly personal travel, the conditions are governed by the Public Health Authority, the Ministry of Foreign Affairs, the Swedish Transport Agency and the regions. Procured scheduled services currently have to follow different social distance regulations, depending on the region in question. Here, coordination and uniformity between the various authorities and regions is urgently needed, to increase the predictability of what applies to companies and travellers. Similarly, Sweden should push for appropriate rules and coordination within the EU.

In order to strengthen mobility to and from third countries, we proposed that:

- **New 'skills-expulsions' are to be stopped.** The Migration Board shouldbe more permissible as regards shortcomings in employment conditions that have occurred during the acute event in the COVID-19 pandemic. As a result of this, the Migration Board should, as part of a forward-looking overall assessment, be able to avoid revoking work permits, or alternatively extend a work permit where there have been shortfalls in the terms of employment for a limited period.

- **Overseas employees should be able to remain for the whole season.** The coronavirus pandemic has hampered the provision of skills in those industries that rely on seasonal workers from countries outside the EU / EEA. Many seasonal jobs have not been able to start on time. Work permits granted for a maximum of six months have not been fully used. The opportunity to employ overseas workers on seasonal employment should therefore be extended to nine months rather than the current six months. The EU Directive on seasonal employment permits nine months, but the Swedish government has implemented the Directive for a maximum of six months.

- **Travel barriers that make hiring new recruits more difficult should be reviewed.** Currently, a third-country national granted a work permit must enter employment within four months. This has been made more difficult by travel and entry bans introduced to limit the spread of infection. In those situations where the COVID-19 pandemic means that the employment cannot be taken up within four months, the Migration Board should not hold that against the employer if, at a later date, he again attempts to recruit an overseas workforce. In addition, a renewed application from the same employer and type of employment where the recruitment has been hindered through travel restrictions, should be processed within a so-called fast track file.

- **Necessary business trips should be facilitated.** With countries outside the EU, there should be diplomatic discussions to lift the entry or exit restrictions on the persons concerned in order to allow the necessary business trips.

5.3 Facilitate continued reform of the Employment Service

The coronavirus crisis demands a proactive labour market policy to curb rising unemployment. Employment agencies' efforts must be targeted, cost-effective and focused on results. In the short term, work on the newly unemployed needs to be prioritised. Activation and the rapid return to work are of central importance to these people. At the same time, effective labour market policy initiatives also need to be geared to support those in, or at risk of, long-term unemployment.

Ineffective measures such as 'Extra Services' should be discontinued. Funds that have been released should be redistributed to more targeted efforts that have an influence on the ongoing reform of the Employment Service, including 'Support and Matching'

(STOM). Among other things, the OAG has – in its review of the effort – assessed that this gives participants better opportunity to find work as quickly as possible. These efforts can be implemented through such a redistribution, without increasing costs to the Government.

We believe the following measures should be implemented:

- **Quadruple the STOM budget.** Private actors can provide support to the unemployed to get to work faster. Suppliers are measured by results. The initiative is a starting point for major reform.

- **Treble the number of locations covered by the test operation of the 'Kundval Rusta and Matcha'** (KROM) in the ongoing reform of the authority. Private actors are performers. The pilot projects have had a clearer result-based remuneration than STOM. The pilot projects, together with STOM, are the basis for a comprehensive reform of the Employment Service in 2022.

- **Discontinue the ineffective 'Extra Services'.** The measure hits the wrong target group, is expensive, inefficient and produces modest results.

5.4 Better access to training demanded by companies

The coronavirus crisis must not become a skills crisis. To safeguard and develop the competitiveness of Swedish companies, we must ensure that they have access to the correct expertise. It is also through the employees' competence, the companies' ability to create jobs and the labour market's flexibility that security in the labour market can be reached.

COVID-19 has made it more important than ever to find flexible, digital and efficient ways to acquire the right skills. For both companies and individuals, it is vital that the paths to jobs are as short as possible; more investment in productivity-enhancing human capital are needed. This means that accurate and cost-effective tools for training and skills development are required.

Swedish Enterprise welcomes the Government's recent educational initiatives. In times of economic crisis, we need more places in vocational colleges and at universities. But it is also more important than ever that these are the right places.

The Government should provide clear guidance and remits to the relevant authorities to increase access to the education demanded by the companies. The following measures can deliver this and can be implemented without increasing costs to Government:

- **Increased relevance for education.** Training and competence efforts must be relevant, flexible, short (module-based), digital and industry-specific. They should be tailormade for the newly unemployed or for those in one of the transition organisa-tions.

- **Introduce a business criterion for new educational places.** The new educational places created as a result of the coronavirus crisis should not be able to start unless they are oriented towards the demands of working life, and there must be an explicit demand from employers. There should be clear instructions on how the programmes are developed, and each authority should develop standards and guidelines for how it should meet the relevant demands.

- **Enhanced efficiency and validation.** In order for the educational efforts in transition to be effective, the state needs to ensure – through an assignment to the Regional Development Authorities (RUA) – that there is functioning regional infrastructure. There should also be funds earmarked from the European Social Fund (ESF), the Employment Service and the TSL and TRR transition organisations for validation and supplementary training efforts. Where there are national models for industry validation, they should be used.

- **Improved access to places in education.** It is important to ensure greater flexibility in admissions to further education. For a certain period, admissions should be made on an ongoing basis to allow students more openings to begin their education than is the case currently.

6 Four Government enquires focusing on sustainability to be commissioned now

The proposals for reforms and measures contained in this package can be implemented or initiated in the near future without the need for any further political process. In addition to these, there are several initiatives that will require greater preparation and investigation. There are four proposals for Government enquiries listed here that should be added as a first step to strengthen investments in infrastructure, electricity supply, the circular economy and innovation. These will accelerate the climate change efforts and Sweden's position as a nation of knowledge.

6.1 Assignment to identify infrastructure investments that can be made sooner

The Government should instruct the Swedish Transport Administration to investigate, as soon as possible, on what planned new investments in the transport system can be brought forward (i.e. construction starting within three years) within the existing national plan for transport. The process from decision to construction of new investments currently takes a long time. The Swedish Transport Administration has a 12-year action plan and is bound by a strict planning process. Decisions to start construction in major projects are taken by the Government. In the light of the pandemic, there is a pressing need for a review of what could be started earlier and reprioritised.

New investments should focus on the major transport routes, important for business transport, be directed to those that provide the greatest socioeconomic benefits and provide the most effective capacity increases from a systems perspective. A concentrated effort is also needed to modernise suburban transport systems in metropolitan areas. This is both to facilitate freight and to continue to develop large-scale regional commuting.

6.2 Provide companies with control over their waste

In many cases, waste currently represents a sought-after resource that many want to share. The current municipal monopoly makes it challenging for new business models that seek to use waste as a resource. The introduction of choice for recycling would help to strengthen the circular economy.

The Waste Directive is the legislation governing waste issues in Sweden. The Directive allows states to choose who should be responsible for the waste generated by companies and what is defined as municipal waste. Sweden has chosen that this responsibility should lie with the municipalities. This needs to be reoriented to provide greater resource efficiency and meet climate goals. There is available experience to draw on from Norway and Finland.

6.3 Future electricity needs to cope with climate change and the development of society

The social development we see today clearly indicates that the demand for a well-functioning electricity system will increase. Transformative shifts in the industry and transport sector in particular, which will greatly increase our need for electricity, make it essential that Sweden becomes climate neutral and is able to phase out the use of fossil fuels. Swedish Enterprise's assessment, which is based on industry's roadmaps for fossil fuels, is that electricity demand may increase 60 percent by 2045 compared with current levels. The electricity system could be the key for Sweden to cope with the green transition and to achieve its goal of net zero emissions by 2045.

6.4 Commission an innovation enquiry

A Government enquiry should be commissioned to review how innovations can be better developed within academia; in particular how to use innovation better through improved design. It should also look at how R&D collaboration can be simplified using new, smarter contracting processes. Current innovation systems lack insight into how knowledge-based assets can be leveraged in existing innovations. During Sweden's restart phase, it will be important to use all potential assets. The innovation enquiry will be a natural follow-up to the one on innovation support systems to be presented at the end of September.

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