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EUROPEAN SOCIAL CHARTER

Ad hoc report on the cost-of-living crisis

submitted by

THE GOVERNMENT OF SWEDEN

Report registered by the Secretariat

on 15 December 2023

CYCLE 2023

Ad Hoc Report 2023
on the cost-of-living crisis related
to the
Revised European Social Charter
submitted by
THE GOVERNMENT OF
SWEDEN

Ad hoc report

submitted by the Government of Sweden

in accordance with the decision of the Ministers' Deputies on the 27 September 2022 and in accordance with the decision of the European Committee of Social Rights and the Governmental Committee adopted by the latter during its 146th meeting 9-12 May 2023.

In accordance with Part IV, Article 23 of the Revised European Social Charter, copies of this report have been communicated to

- Svenskt Näringsliv (Confederation of Swedish Enterprise)
- Sveriges Kommuner och Regioner, SKR (the Swedish Association of Local Authorities and Regions)
- Arbetsgivarverket (Swedish Agency for Government Employers)
- Landsorganisationen i Sverige, LO (the Swedish Trade Union Confederation)
- Tjänstemännens Centralorganisation, TCO (the Swedish Confederation of Professional Employees)
- Sveriges Akademikers Centralorganisation, SACO (the Swedish Confederation of Professional Organisations)

- 1) *Please provide information as to whether and how the statutory minimum wage is regularly adjusted/indexed to the cost of living. Please indicate when this last happened, specifically whether it has been adjusted /indexed since the end of 2021.*

There is no statutory minimum wage in Sweden. Please see question 3 for additional information.

- 2) *Please provide information on any supplementary measures taken to preserve the purchasing power of the minimum wage since the end of 2021*

Not applicable for Sweden. Please see question 3 for additional information.

- 3) *For States Parties with no statutory minimum wage, please describe any measures taken to preserve the purchasing power of the lowest wages since the end of 2021.*

High inflation contributed to an increased focus on lowest wage levels among several major trade unions in the 2023 negotiations. As a result, the wage norm for the competitive manufacturing industry included a specified increase of lowest wages. Such special initiatives on the lowest wages have not been in focus in previous bargaining rounds in recent years. For more information on the wage formation in Sweden, please see appendix 1.

As reported in question 5 and 7, the Government has adopted a series of measures aimed at increasing the disposable income for economically vulnerable households, e.g., increased housing allowances, lower taxes for old age pensioners, an expansion of the earned income tax credit and financial support for households hit by high electricity prices.

- 4) *Please provide information as whether the cost-of-living crisis has led to the extension of in-work benefits¹*

In Sweden there are no systems such as those mentioned in footnote 1.

- 5) *Please provide information on changes to social security and social assistance systems since the end of 2021. This should include information on benefits and assistance levels and the allocation of benefits*

During the reference period, several changes have been made to the social security system. In response to the covid-19-crisis, a temporary supplementary allowance was paid out monthly to families with children receiving housing allowance. First time during July-December 2020 and a second during July-December 2021. Due to the increased cost of living (mainly prices on food, electricity and fuel) the measure was re-introduced in July 2022 and will be paid out monthly until December 2023. In July 2023, the supplementary allowance was also raised, from 25 to 40 percent of the preliminary housing allowance for the same month. The Government has proposed that this measure should be extended until July 2024.

Many benefits were also subject to special temporary regulations during the pandemic. For example, the opportunities to achieve temporary parental benefit were expanded. If schooling- or preschool facilities had to close because of covid-19, parents could receive the benefit while staying at home from their jobs to care for their children. Similarly, disease carrier's benefit could be paid to covid-19 patients, and likewise individuals that had to give up work

¹ Supplements to support workers on low incomes such as the *prime d'activité* in France, or the *Working Family Payment* and the *Back to Work Family Dividend* in Ireland.

to avoid infecting a relative in a risk group for covid-19. The temporary measures were introduced during 2020-2021 and ceased in April 2022.

In July 2022 the maintenance support, that can be paid to single parents, was increased by SEK 150 (appr. 13 EUR)² for children in the age group 7–10 years. The maintenance support is now between SEK 1 673–2 223 (appr. 144-191 EUR) per month depending on the age of the child.

Since the August 2nd, 2022, 90 days of parental benefit at the basic level are reserved and cannot be transferred to the other parent. (Parental benefit at the basic level is paid out to parents that do not fulfil the required conditions for an income-related benefit, who have a very low income, or none). Priorly, the reserved days only applied to parents that had parental benefit based on their income (sickness benefit level).

In February and September 2022, several reforms were implemented in the sickness insurance system to increase the financial security and the flexibility of the insurance. For example, special rules were introduced for older people who have reached the age when there are at most five years left until the time when sickness compensation can no longer be paid (after the age of 59 years and 11 months in 2022, after the age of 60 years and 11 months in 2023). Instead of assessing the ability to work against all jobs in the labour market, the ability to work of the elderly must be assessed against such normally occurring work that they have experience in during the last fifteen years or other suitable work that is available. Insured persons who have not worked in normally occurring work in the last fifteen years are assessed according to ordinary sickness benefit rules. The possibilities to receive part time sickness benefit were also strengthened.

In the pension system, a new supplementary pension benefit was introduced in September 2021 (income pension complement). The complement is an addition to the national public pension and paid to individuals that has had long working life but low wages, resulting in a relatively low national pension. It is paid out with a maximum of SEK 600 per month (appr. 52 EUR), depending on the size of the income-based national public pension and the number of years with pensionable income in Sweden.

The so-called guarantee pension, paid to those that have had a low or no pensionable income during their life, was raised by SEK 1 000 (appr. 86 EUR) per month from August 2022. During 2022, the housing supplement for pensioners also increased to strengthen the financial situation of the group of pensioners who, considering income and housing costs, have small financial margins. The change means that the consumption allowance in the housing supplement increased by SEK 300 (appr. 26 EUR) for those who are unmarried and by SEK 150 (appr. 13 EUR) for those who are married. In January 2022, the ceiling for housing cost was also raised from SEK 7 000 (appr. 603 EUR) per month to SEK 7 500 (appr. 646 EUR) per month.

From January 1st, 2023, Sweden has also increased the earliest retirement age for income-based pension to 63 years. The age for receiving guarantee pension and special non-contributory cash benefits has also been changed from 65 to 66 as of January 1st, 2023. Consequently, other social insurance benefits such as sickness compensation and unemployment benefits will be paid for another year, i.e., until the person turns 66. From

² Exchange rate (SEK-EUR) as of 2023-11-13. Applicable for all sums provided in this document.

2026 and onwards, all the above-mentioned age limits will be linked to a recommended retirement age which is related to changes in life expectancy. The recommended retirement age will be 67 from 2026.

Additionally, several social security benefits are indexed, and their level is therefore adjusted once every year according to changes in the average wages or/and general prices. Please see question 6 for additional information.

The right to personal assistance for persons with certain disabilities has been extended, the new regulations entered into force on January 1st, 2023.

6) Please provide information as to whether social security benefits and assistance are indexed to the cost of living, as well as information in particular on how income-replacing benefits such as pensions are indexed. Please indicate when benefits and assistance were last adjusted/indexed.

Several social security benefits and allowances are linked to the price base amount (*prisbasbelopp*), which is adjusted each year (as of January 1st) and calculated based on changes in the general price level in the country. This includes for instance the guarantee pension, maintenance support for the elderly, sickness- and activity compensation, and additional cost allowance paid for adults and children who have additional costs due to a disability. Similarly, for many income-replacing benefits, such as parental benefit, pregnancy benefit, sickness benefit and temporary parental benefit, the ceiling for the benefit (i.e., maximum benefit) is adjusted annually as of January 1st according to changes in the price base amount.

The earnings-related old-age pension, income pension, and supplementary pensions follows the average income development (income index). These pensions are therefore adjusted on a yearly basis. Annuity (compensation for loss of income due to occupational injury) is also adjusted every year, however according to a special index, accounting for both changes in income and prices.

Social assistance benefits are not indexed, but for the national norm (*riksnorm*) on personal as well as common expenses amount, which is generally adjusted in January each year according to changes in prices, subject by government decision. The national norm was increased by 8.6 % from January 1st, 2023 and will be increased by 8.7 % from January 1st, 2024.

The standard compensation for personal assistance is adjusted each year by parliamentary decision. The standard compensation was increased by 1,5 % for 2023 and will be increased by 2,5 % for 2024.

7) Please provide information as to whether any special measures have been adopted since late 2021 to ensure persons can meet their energy and food costs, such as price subsidies for energy, fuel, and basic food items.

Due to a spike in electricity prices at the end of 2021, the Government introduced a compensation scheme in the Spring of 2022 for all households. The monthly compensation during the period December 2021 to February 2022 related to household's electricity consumption. Additional support measures were introduced in 2023. The first compensation concerned households in the southern and central parts of Sweden for the period October 2021 to September 2022. The second compensation concerned all households for the period

November 2022 to December 2022. The support measures introduced in 2023 also covered a relatively small number of households consuming natural gas.

Furthermore, the Government has assessed it necessary to ensure that high fuel prices do not erode household finances. Therefore, fuel taxes have been reduced several times in 2022 and 2023. Further reductions have been proposed in the Budget Bill for 2024. The Government is also analysing the possibilities to reform other cost-driving regulations. For example, in the Budget Bill for 2024 there is a proposal to reduce the greenhouse gas reduction obligations for gasoline and diesel. The proposal states that the reduction obligation will be lowered to the EU minimum. The Government has assessed that the changes will result in lower fuel prices.

The Government has also adopted several more general measures aimed at increasing the disposable income for economically vulnerable households, e.g., lower taxes for old age pensioners, an expansion of the earned income tax credit and increased housing allowances, please see question 5.

8) Please provide up-to-date information on at-risk-of-poverty rates for the population as a whole, as well as for children, families identified as being at risk of poverty, persons with disabilities and older persons. Please show the trend over the last 5 years, as well as forecasts for upcoming years.

At risk of poverty rate (cut-off point: 60% of median equivalised income after social transfers) is as follows.

		2018	2019	2020	2021	2022
Total population	Women	17,7	17,8	17,2	16,3	16,7
	Men	15,2	16,3	15,0	15,0	15,3
	Total	16,4	17,1	16,1	15,7	16,0
Age - 18	Women	20,7	22,3	18,5	19,3	18,1
	Men	17,9	20,8	18,9	16,9	16,4
	Total	19,3	21,5	18,7	18,1	17,2
Age 18-64	Women	16,0	15,8	15,8	15,1	15,6
	Men	15,9	16,3	15,0	16,4	15,7
	Total	15,9	16,1	15,4	15,7	15,7
Age 65+	Women	19,2	18,7	19,7	16,9	18,5
	Men	9,3	11,2	10,2	8,3	12,6
	Total	14,6	15,2	15,3	12,9	15,7

Source: Eurostat (EU-SILC).

At risk of poverty rate (cut-off point: 60% of median equivalised income after social transfers) is as follows.

	2018	2019	2020	2021	2022
Total	16,3	17,1	16,1	15,7	16,0
Single person	30,8	28,2	27,7	26,5	27,2
One adult younger than 65 years	31,6	28,5	27,2	27,6	27,2
One adult 65 years or over	29,3	27,8	28,5	24,3	27,3
Single person with dependent children	34,6	33,5	26,4	28,0	23,6
Single female	34,1	29,8	31,4	27,5	27,8

Single male	27,4	26,6	24,0	25,5	26,7
Two adults	6,9	6,9	7,3	6,5	8,3
Two adults younger than 65 years	8,5	7,8	8,7	7,9	9,1
Two adults, at least one aged 65 years or over	5,1	6,0	5,8	5,0	7,6
Two adults with one dependent child	10,4	12,1	7,3	10,3	8,6
Two adults with two dependent children	8,7	9,0	11,2	9,8	9,8
Two adults with three or more dependent children	24,7	28,4	24,8	23,4	23,0
Two or more adults without dependent children	6,9	6,8	7,4	6,7	9,1
Two or more adults with dependent children	12,7	14,8	14,3	14,2	13,4
Households without dependent children	16,5	16,4	16,0	15,1	16,9
Households with dependent children	16,1	18,0	16,2	16,3	14,9

Source: Eurostat (EU-SILC).

People at risk of poverty (cut-off point: 60% of median equivalised income after social transfers) by level of activity limitation, sex and age are as follows.

Total		Age	2018	2019	2020	2021	2022
Activity limitations	Some or severe	16-64	26,7	24,8	26,7	24,8	26,9
		65+	23,6	21,4	20,9	18,5	20,3
	None	16-64	14,8	15,4	14,3	14,3	13,5
		65+	12,1	13,3	14,3	10,3	14,5
Women		Age	2018	2019	2020	2021	2022
Activity limitations	Some or severe	16-64	26,4	22,2	25,1	22,3	25,9
		65+	28,9	25,5	26,1	22,3	24,3
	None	16-64	15,7	15,3	15,3	14,0	12,7
		65+	15,2	16,7	18,2	13,7	15,6
Men		Age	2018	2019	2020	2021	2022
Activity limitations	Some or severe	16-64	27,2	28,3	28,7	27,8	28,1
		65+	14,2	15,0	13,0	12,8	15,3
	None	16-64	14,0	15,5	13,4	14,5	14,2
		65+	8,7	9,7	10,1	6,9	13,3

Source: Eurostat (EU-SILC).

Please note that Sweden do not produce any official forecast of At-risk-of poverty rates.

9) Please provide information on what measures are being taken to ensure a coordinated approach to combat poverty as required by Article 30 of the Charter, and to diminish reliance on last-resort relief, such as food banks and soup kitchens.

The Government work with a three-part long-term plan to address the challenging economic environment. I.e., to

- tackle inflation and support households and the welfare system,
- re-establish the work-first principle and
- implement structural reforms to boost growth.

The Government has in the Budget Bill for 2024 proposed several measures to prevent greater-than-necessary price increases. Fiscal policy also contributes to lessening the effect of cost increases for many households, not least those with small margins. The Government therefore also proposes measures to support those who are particularly hit by price increases. One example of this is an extension of the increased housing allowance for economically disadvantaged families, please see question 5. To support health care, schools and social services, the Government proposes to enhance general governmental grants to municipalities and regions as well as to further increase performance based and targeted grants. The Government is also working to re-establish the work-first principle. Getting more people to transition from benefit dependence to self-support requires better incentives. Examples of measures taken or planned are the appointment of an inquiry on a benefits ceiling which aim to ensure that it is always more worthwhile to work than to live on benefits. And, to create more pathways to jobs, the proposal to increase the number of training places and adopting a more effective labour market policy. Furthermore, with the aim of countering social exclusion and increasing the rate of self-support and improving incentive structures, the Government intends to review the large family supplement.

As a result of the high inflation rate, in particular the rising food prices, civil society is seeing increased need among those seeking help. The Government is therefore launching a specific initiative during 2023 targeting civil society organisations that carry out activities aimed at people in socially vulnerable situations.

10) Please provide information on steps taken to consult with, and ensure the participation of, the persons most affected by the cost of living crisis and/or organisations representing their interests in the process of designing of measures in response to the crisis.

There are several established consultation procedures where the Government can consult stakeholder organisations, the social partners and civil society organisations in matters of their concern. Relevant stakeholders are often included in reference groups in the governmental inquiries system and are given the opportunity to present their views on inquiry proposals through the consultation process in their areas of interest. Occasionally, the Government also issues invitations to hearings for dialogue around specific issues.

There are also continuous discussions in various consultation bodies that regularly meet. For example, the Government holds regular dialogue with the Children's Rights Delegation which consists of representatives for civil society organizations that work with children's rights as well as the Ombudsman for Children in Sweden and the Children's Welfare Foundation Sweden, where members of the delegation are given the opportunity to provide input and views on governments' continued work.

Another example is the Disability Delegation which, since 2001, has been governments' national coordination body for deliberations and mutual information between governments' disability organisations on issues of particular interest to persons with disabilities.

Wage formation in Sweden

What characterizes the Swedish labour market model?

- Conditions on the labour market are regulated to a very high degree through collective agreements, rather than through legislation and state intervention.
- Collective agreements enjoy special legal status, as legislative provisions in the labour market area can often be substituted or deviated from by way of collective agreements.
- The system is based on strong collective self-regulation. Strong and equal social partners, as well as high coverage of collective agreements, are key prerequisites.

Who is covered?

- Approximately 90 percent of the employees in Sweden are covered by a collective agreement. The coverage rate is 100 percent in the public sector. In the private sector the coverage rate is 85 percent.
- For the past 20 years, the coverage of collective agreements has been stable.

How are wages set in Sweden?

- There is no legislation on minimum wages or general application of collective agreements. The social partners are responsible for wage formation. Wages and conditions of employment are regulated in collective agreements.
- Minimum wage levels are often, not least in the blue-collar occupations, important components in collective bargaining.
- If the social partners cannot reach an agreement during the negotiations, the Swedish National Mediation Office can appoint mediators.

Levels of minimum wages in Sweden

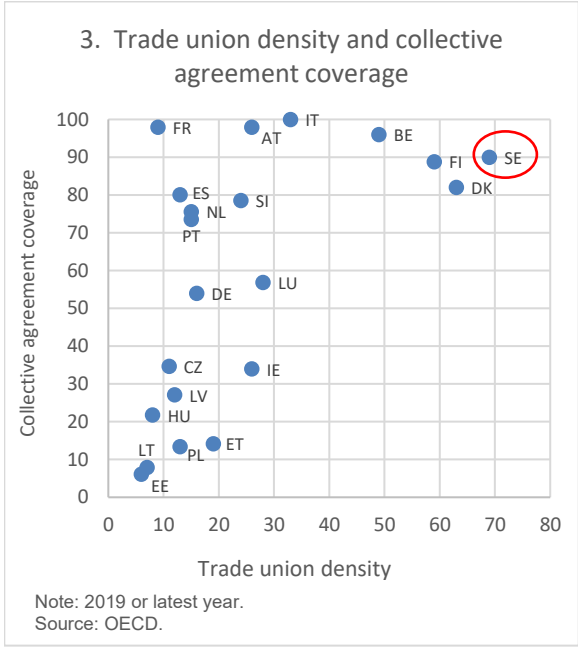
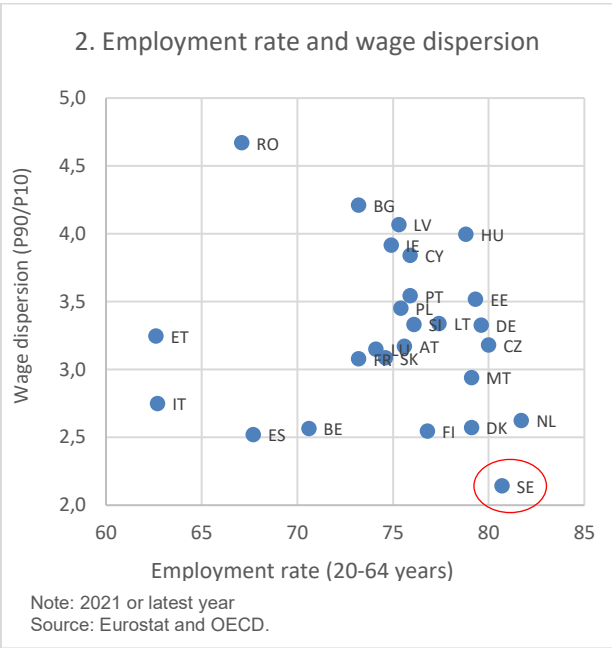
- There is no statutory minimum wage in Sweden. However, most collective agreements for blue-collar workers include “lowest”, “entry” or

“minimum” wages. In many areas in the private sector also white-collar workers are covered by collectively agreed provisions on minimum wage.

- Minimum wage levels vary not only between sectors. There are also different minimum levels within the agreements depending on age, education, and work experience.
- In some sectors, the actual paid wages correspond to the minimum wage levels of the collective agreements, but usually the lowest wages paid by employers are higher than the minimum wages stated in the collective agreements. In the economy as a whole (i.e. not only the part covered by collective agreements), one percent of the employees are paid a monthly full-time wage below € 1,865 (see graph 1).

Macroeconomic outcomes

- Collective agreements create a long-term stable framework for developing the Swedish economy, firm’s competitiveness, and workers’ employment conditions.
- Sweden has the second highest employment rate in the EU and the lowest wage dispersion in OECD (see graph 2). Sweden also manages to combine a high employment rate among women with a comparatively low pay gap between men and women.
- The high degree of collective agreement coverage in Sweden is also combined with the highest degree of union organization for employees in the OECD (see graph 3). Sweden is also one of the MS in the EU who has the lowest number of working days lost due to industrial action.
- Sweden has had an annual real wage growth on average 1,2 per cent 2007–2021, a more favourable development than most other MS (see graph 4).
- A model with negotiated wages has not only provided good macroeconomic outcomes for Sweden, but also for other countries applying the same, or a similar, model.



Wage statistics



The Swedish National Mediation Office