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Stability or change in the Swedish Labour Market Regime?

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Most countries in Western Europe have experienced rising unemployment and inactivity among youth and young adults during the latest two decades. At the same time, the fraction of youth entering post-secondary education has risen sharply. This is part of a picture where those with lower educational skills find it harder to gain foothold in labour market. To this picture we should also add reduced youth income compared to middle aged, widening income differences within the age group, heavier dependence on social security and growing psychological health problems. (ILO, 1998; O'Higgins, 2001)

Even if Sweden is well known for its ambitious labour market policy, it doesn't constitute any exception to this rather gloomy picture. Most countries in Western Europe have since the late 1970s found themselves trapped in high unemployment. What made Sweden different was that both unemployment and inactivity remained rather low until the beginning of the 1990s. (Schober-Brinkmann & Wadensjö, 1991)

Questions about the causes and effects of growing difficulties for those with low education have created much research interest in Europe as well as in U.S. Several explanations have been put forward. First, many analysts have pointed to higher qualifications demand, and the loss of low skilled entry jobs, as a result of new technology and new work place organizations connected to high quality production. (Juhn, 1999; Autor, Katz & Kreuger, 1998) Second, others have stressed the importance of growing competition from low wage countries in Eastern Europe, Asia, etc. This hardened competition should consequently have swept away a lot of those jobs that previously functioned as well paid step stones to the labour market for young people without higher education. (Heinz, 1999; Crouch, Finegold & Sako, 2000) Third, some analysts point to changes in the institutional environment and industrial relations, for example weakened unions, a stronger market ideology and – as a consequence – fewer political and educational measures to make the transition from school to work easier. (Machin & van Reenen, 1998)

In this paper I will relate the worsened situation for low educated in general, and youth in particular, to two institutional factors: a changed organisation of vocational education in upper secondary schooling and changes in labour market policy, where changes in vocational education is understood as a cause and changes in labour market policy as an effect of rising obstacles for low educated. Of course, there are several other factors that have to be considered in order to get the full picture, but reforms in the upper secondary school system as well as in labour market policy are of great interest as they can be apprehended as parts of broader changes in the traditional *Swedish labour market model*. Studies of changes in the Swedish model can also be seen as part of a wider research interest concerning the effectiveness of competing institutional models of capitalism. (Baker, Glyn, Howell & Schmitt, 2002; Finegold & Soskice, 1988; Thelen, 2001 & 2003)

I will argue that changes in schooling are an important factor behind increasing social marginalisation and income dispersion. My focus will primarily be on ages between 20 and

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24.¹ Changes in upper secondary schooling must also be valued in connection to the supply of youth measures connected to labour market policy. Since the beginning of the 1990s, there has been a huge increase of participants in programs directed to youth. This can of course be seen as a direct effect of rising unemployment and increasing troubles for those with unfinished upper secondary education. But we can also trace changes in labour market policy to broader institutional transformations in the Swedish labour market model. I will first and foremost analyse these changes as an expression of stronger segmentation forces.

The outline of the paper will be as follows. In a first section I will discuss changes in the general labour market conditions in Sweden, with special reference to conditions for youth. Thereafter, in a second section, I will describe recent changes in the Swedish school system and relate the upper secondary system in Sweden to education models in other countries. I will also use some data to show the importance of education at upper secondary level – and especially of vocationally oriented education – from a social point of view. In the third section I will describe and analyse some of the recent changes in labour market policy in Sweden. I will argue that several of these changes can be connected to a changed school system and the worsened conditions for young adults without completed upper secondary education. Finally, in the fourth and last section, I will try to bind the loose ends together and ask whether changes in upper secondary schools and labour market policy can be seen as expressions of problems specific to Swedish and other regulated labour market regimes.

1. Changed conditions in labour market and education.

Before the 1990s the unemployment rate among youth, and for the labour force in general, was very low, even if it as in most countries was higher for youth than for grown ups. In 2004 the unemployment rate for young adults between 20 and 24 had risen to 13 percent. For the labour force in general the corresponding figure was 5.4 percent. Unemployment affects all social and educational groups. In later years growing unemployment among young people with higher-level education has raised much attention. But there is still a clear pattern of social selection: individuals with low education and a working class background, as well as ethnic minority groups, are generally over represented among the unemployed.

But this is not the whole picture. To the numbers of open unemployment we should add all unemployed engaged in labour market programs. In the first quarter of 2005 4 per cent of the population in the ages between 18 and 24 was engaged in different programs (according to the Swedish National Labour Market Administration).² The participation rates in labour market programs have been rising since 2001 as a result of the efforts to turn an upward trend in long-term unemployment. Last year the public expenditures on active youth measures amounted to 10 percent of total expenditures on labour market programs. Total public expenditures on active measures have fluctuated between 1.5 and 2 per cent of GDP.

Besides unemployment more and more attention has been given to inactivity – that is a group outside the labour force as well as education. A recent public investigation showed that around 4-5 per cent of the population between 20 and 24 belongs to this group (SOU 2003:92). There is also a growing amount of research showing that inactivity must be seen as

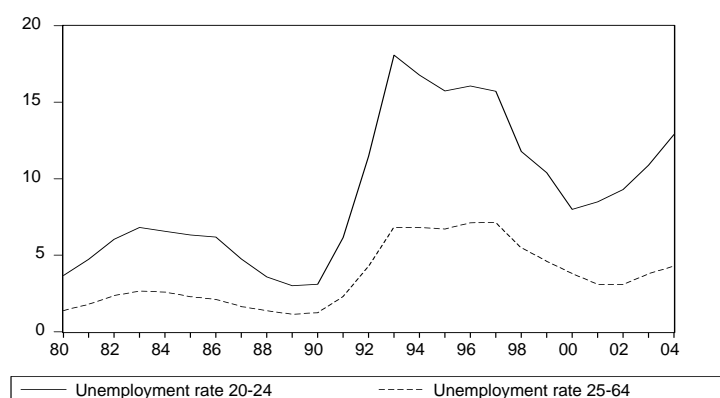
¹ I'm using two major sources for the statistics in this report: Statistics Sweden (SCB) and Swedish National Labour Market Administration (AMV). All register data and labour market data originates from Statistics Sweden, a database called Louise and the labour force surveys (AKU). Data on expenditures on different labour market measures and volumes of participants in labour market programs originates from Swedish National Labour Market Administration.

² [Http://www.ams.se/rdfs.asp?L=35](http://www.ams.se/rdfs.asp?L=35).

a social problem and not – as is sometimes suggested – as an expression of new post-modern life styles. Individuals lacking the economical, cultural and educational backgrounds that open networks and facilitate social wellbeing are over represented. (Franzén & Kassmann, 2006) This means that young adults originating from low income and low educational families dominate the group. Immigrants born outside Europe are over represented among the inactive as well as those youngsters who have failed to finish upper secondary school.

The fluctuations in unemployment for youth are clearly related to fluctuations in unemployment for the labour force in general. And there is at the same time a connection between fluctuations in unemployment and variations in economic growth.

Figure 1. Unemployment rates (percent of the labour force) for those between 20-24 and 25-64 years, 1980 to 2004.



Source: Statistics Sweden. Labour force investigations. Yearly averages.

Of course, in a historical perspective structural and institutional factors are of higher importance than short-term fluctuations in demand, if we want to explain the deeper forces behind changes in labour market conditions. (Schön, 2000) The early 1990s was a period characterised by profound transformation in the Swedish economy. At the same time economic policy went through changes in order to adapt to demands for price stability and low public deficits in the Maastricht treaty. A stronger focus on macroeconomic stability may, at least temporarily, have deepened the crisis. (Wadensjö, 1997) The economic crisis during the first half of the 1990s was in fact the severest recession experienced in Sweden since the 1930s, resulting in exploding unemployment and difficulties financing public welfare systems. As will be discussed more in detail shortly, youth was more affected by the crisis than any other age group.

Changes in schooling are also connected to the transformation patterns of the 1990s – affecting both demand and supply for labour. The expansion of the education system has prolonged the transition from school to work. Those who fail to complete the three years in upper secondary schools meet great difficulties, partly because of stigmatisation and partly because the volume of well paid low skill-jobs have decreased during the last 15 years. As can be inferred from the job queue model; when the general level of demand for labour decrease, people with higher educational qualifications has to accept jobs that requires less formal skills, and this results in even more difficulties for those without secondary education. There may also be a rising demand for social and cultural competences as a result of changed working organizations and more service, sale and information related jobs. These developments may have been unfavourable for newly arrived immigrants lacking the

language and cultural skills that is sometimes considered to be of the utmost importance today. (Lundh & Ohlsson, 1994)

1.1 More difficult transition patterns

The prerequisites for the transition from school to work have been more difficult during recent years. (Ryan, 2001; Shawit & Müller, 1998; Wadensjö 1997) With growing unemployment there has been an accompanying rise in long-term unemployment. Traditionally unemployment among youth have been characterised by short spells out of work – and have often been accepted as a natural expression of job shopping. But this view must be questioned when we know that around 40 per cent of the unemployed youth in the OECD area in the second part of the 1990s were long-term unemployed. (OECD 1999) This figure can be compared to 50 per cent among the middle aged and older populations.

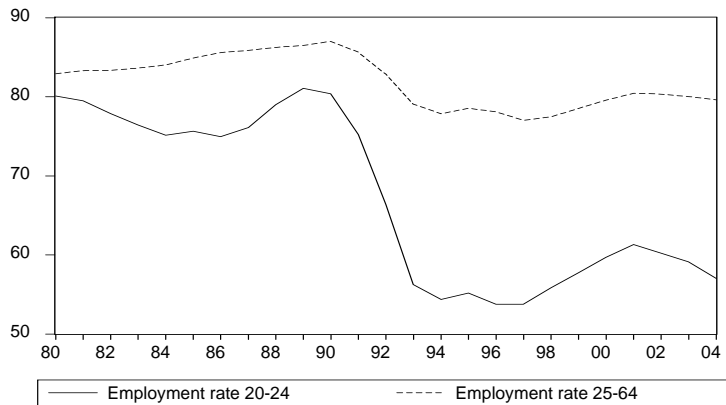
The fraction of youth and young adults with very low income has also increased in most countries. One major explanation is the general rise in educational participation. But this is not the only explanation. In Sweden wage trend for young adults has taken a negative turn for youth. (Börjeson, 2001) This means that youth today, compared to the situation two or three decades ago, get relatively lower wages. Again, it's obvious that especially those without completed education at upper secondary level have been hardest hit by this negative income trend. (Olofsson, Stanfors & Östh, 2003) From this follows that the income gap amongst youth have widened.

The picture has been the same in most other comparable countries. In the United States, just to mention one example, the income development for youth with a high school degree have been very weak compared to youth with a college and university degree. (Freeman, 1999; Freeman & Schettkatt, 2000) But youth without even a high school degree, dropouts, have been hardest hit. Those with only compulsory schooling get a relative wage, compared to high school educated, which is only half of that relative wage that those that left school without a high school degree got 30 years ago. These conditions can be seen as rather puzzling, not least because several economic and demographic trends during the 1980s and 1990s were – or at least could be expected to be – favourable for youth. First, the share of youth in the total population decreased in most industrialized countries. Second, structural transformations in the economy stimulated growth in labour intensive and service related occupations. Third, new technology could have benefited youth with updated educations and good language and communication skills.

1.2 Social conditions for young adults in Sweden

More precisely then, what can be said about the social conditions for young adults in Sweden? The crisis in the beginning of the 1990s affected every age group, but the consequences were – as pointed out before – especially severe for young people. The labour market participation rate fell dramatically. The employment ratio among young adults between 20 and 24 fell from 80 per cent in 1980 to less than 60 per cent after 1990. As can be seen in figure 2 below, there has not been any upward shift in the employment rate since the early 1990s.

Figure 2. Employment rates in Sweden for those in ages between 20-24 and 25-64, 1980 to 2004.

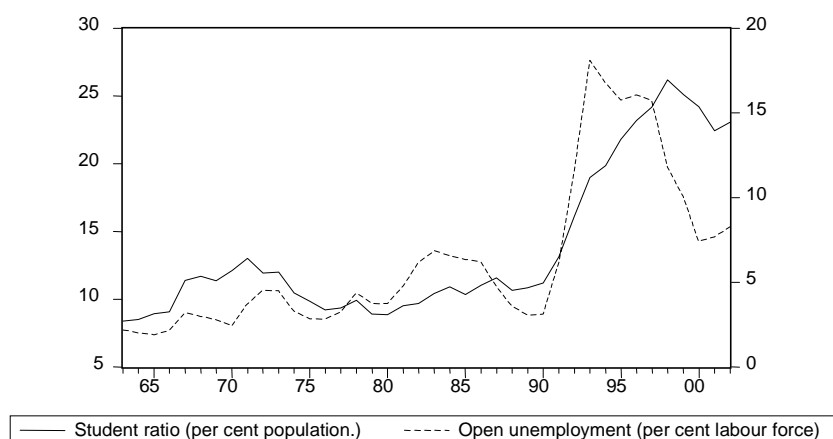


Source: Statistics Sweden. Labour force investigations. Yearly averages.

One consequence of the decreased employment was a sharp rise in the welfare dependency ratio. In the age group between 18 and 24 the amount of welfare recipients doubled during the 1990s. (Salonen, 2000) The dependency ratio was of course much higher among young adults than in the population as a whole. In the late 1990s the ratio dropped somewhat, and in the beginning of the 2000s just over 10 per cent of the households in the ages between 20 and 24 were regularly dependent on welfare.

As pointed out before, the falling numbers of employed was an effect not only of rising unemployment but also of a growing volume of post-secondary students. The fraction of students in the ages between 20 and 24 grew somewhat in the 1980s, and then more than doubled in the 1990s. Changes in the fraction of students among young adults are positively correlated to changes in unemployment figures.

Figure 3. Students and unemployed as fractions (in per cent) of the population and the labour force, ages between 20 and 24, 1963 to 2002.

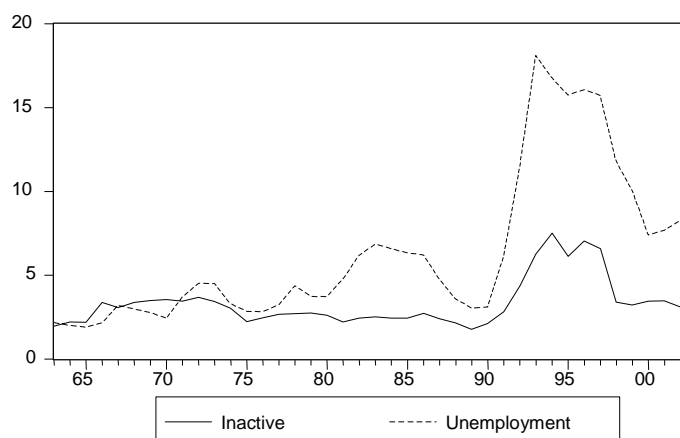


Source: Statistics Sweden. Labour force investigations. Yearly averages.

The growing numbers of people outside both the labour force and schools constitute another element in the picture of the 1990s. The change in the share of inactive, as a fraction of the whole population, can be seen in figure 4 below. In this group of inactive handicapped, people doing their military duty, domestic workers, etc, don't belong. We only count those

individuals outside the labour force and educational system without obvious reason for being inactive. (Ds 2002:30) There is a positive correlation between the yearly changes in unemployment and the yearly changes in the inactivity rate. This in turn underlines the necessity to analyse inactivity among young adults in connection to social problems as unemployment – and not as an expression of post-modern life styles.

Figure 4. The share of people outside the labour force and education (excluding conscripts, handicapped, domestic workers, etc) and the unemployment rate (as a percentage of the labour force) in ages between 20 and 24, 1963 to 2002.



Source: Statistics Sweden. Labour force investigations. Yearly averages.

As have been pointed out before, people without education at upper secondary level are overrepresented among the unemployed and inactive. In the Swedish case this is especially problematic, since the fraction of young people around or just over 20 that has not completed upper secondary school, has risen sharply during the last years. Almost 100 per cent of the pupils leaving compulsory 9-year school continue to upper secondary school. Among those between 20 and 21, the fraction without completed upper secondary education nearly doubled between 1995 and 2000. Today 20 per cent lacks diplomas from upper secondary schools.

With this overview of labour market and social conditions as a background, we now have to discuss changes in schooling more in detail, in order to get answers to our questions about the upper secondary school system and its impact on social conditions.

2. Changes within the Swedish educational system.

During the 1990s there were several fundamental changes in the Swedish upper secondary school system. In 1992 a parliamentary decision made it possible for parents and pupils to choose freely between schools, and at the same time forced local municipalities to support independent private schools. These decisions can be seen as a kind of turning point in Swedish educational policy as market forces were allowed to influence schooling at secondary level. A long tradition of centralised state regulation was abandoned. The dissolution of the Central School Board (Skolöverstyrelsen) and the Regional School Boards (läns skolnämnderna), as well as the liquidation of the earmarked state payment to the municipalities, in favour of increasing local economic and political independence, were other signs of loosening state control.

Together with a greater local impact on the organisation of upper secondary education, which made schools and streams much less standardised than before, a parliamentary decision in

1991 meant that the organisation of streams, that originated from the setup of an integrated school system at secondary level in the early 1970s, were abandoned. (Olofsson, 2005) Until the midst of the 1990s Swedish upper secondary schools had several educational streams with a rather distinct vocational orientation. After the reform the vocational streams were transformed into broader programs with less pronounced work life connection. At the same time the studying period were prolonged from two to three years. The basic motive for this reform was that even vocational streams should offer general competence for entering higher education. This was seen as necessary in order to meet new and increasing demands on qualifications and mobility.

It's important to note that Sweden lacks those traditions connected to apprenticeships that can be found in other nearby European countries, for example Denmark and Germany. Nearly all organized vocational training has – at least since the 1950s – been organized in public schools. Vocational education has been a public responsibility, and involvements from companies and social partners rather unusual.³ Industry schools have always existed, connected to larger companies, but the total volume of pupils in these schools has been, and still is, very small. The deregulation of the Swedish school system, not least the development of independent schools, in the early 1990s has not changed the picture. This may be explained by differences in expenditures for different kind of education streams. General education is not as expensive as vocational education. Municipal and private schools that have to compete to recruit new pupils often choose less expensive and more popular education streams (with a more general content, especially combined with aesthetic and media subjects) than work life oriented and expensive streams.

A change in the mixture of highest educational degrees among young adults reflects the general expansion of education volumes in Sweden since the 1990s. First, as noted before, there was a growing fraction with a finished post-secondary education. This fraction, as part of the population between 20 and 24, grew from only 6 per cent 1991 to 21 per cent in 1999. (Statistics Sweden) Second, there was a decreasing fraction with vocational education at upper secondary level. This fraction decreased from 50 per cent in 1990 to 30 per cent 1999.

More young women than young men entered post-secondary education. In 1990 8 per cent of females between 20 and 24 had a post-secondary education compared to less than 5 per cent among males. In 1999 the corresponding figures had changed to 24 per cent for females and 17 percent for males. More boys than girls choose vocational streams at upper secondary school, even if the differences have decreased. In 1990 63 per cent of men between 20 and 24 had gone through a vocational stream compared to 41 percent among women. 1999 the corresponding figures were 35 per cent among men and 31 per cent among women. It should also be emphasised that Swedish youth, as youth in other countries, choose educations after sex-divided paths. (Jonsson, 2004) At upper secondary level very few boys choose programs oriented at caring and nursing. At the same time very few girls choose programs aiming at work in manufacturing, building or repair services.

Differences in educational experiences between Swedes and youth with immigrant backgrounds are also very apparent. First, there is a much larger fraction of immigrant youth

³ This shouldn't, however, hide the fact that there was a corporative structure in place – both at central and local levels – to facilitate cooperation between social partners and public authorities in matters regarding upper secondary education. But the roles given to labour market organizations and companies were just advisory. The public responsibility regarding vocational education was never seriously questioned. See Lundahl, 1997 & Olofsson, 2005.

with compulsory school as their highest accomplished education. In 1999 around 25 per cent of the immigrants between 20 and 24 hadn't accomplished an upper secondary education. (Statistics Sweden) The corresponding figure for Swedish youth was 10 percentage points lower. There is also relatively less of the immigrant youth that choose to enter vocational programs. In 1990 37 per cent of immigrants between 20 and 24 had accomplished a vocational stream. The corresponding figure for Swedes was 50 per cent. In 1999 the figures were 27 per cent for immigrants compared to 34 per cent for Swedes. The differences between young adults of Swedish and immigrant origin were, however, much less pronounced if we compare the fractions that accomplished academic oriented streams at upper secondary level as well as the fractions entering post-secondary education.

2.1 Educational models and welfare regimes

An international overview shows that varieties in the organisation of vocational education and training are connected to differences in labour market regimes. Varying education models can be traced to differences in the relations between public authorities, and organisations representing enterprises and employees. Three distinct models are usually crystallized in studies concerned with schooling at upper secondary level. Differences between these models can be explained by varying institutional requisites, for example concerning the connection between schools and work life, state interventions in economy and strengths of organized employer and employee interests. Besides the Swedish state centred education model – with vocational education integrated in the school system – there are dual models dominating in countries like Germany and Denmark, and lastly the North American tradition of more general and academic education at upper secondary level (see the tableau below). (Ashton, Sung & Turbin, 2001; Olofsson 2005) In the state centred and dual models, labour market organizations have traditionally played an important role in organizing investments in human capital. In the North American model labour market organizations play a minor role. Instead both education and training along vocational streams are postponed to post-secondary level – to colleges or universities – or just seen as a responsibility for single employers.

Education models at upper secondary level.

A. A dual system.

- * Legislation concerning apprenticeship.
- * Collective agreements concerning education.
- * Standardised education streams.
- * Highly developed cooperation between companies and labour market organizations.
- * Divided school system.
- * Connections to social policy.
- * Selection of countries: Germany, Austria and Denmark.

B. A state centred model.

- * School based vocational education.
- * Integrated schools at upper secondary level.
- * High standardisation.
- * Influences by labour market organizations.
- * Connections to social policy.
- * Selection of countries: Sweden and France.

C. An Anglo-Saxon model.

- * Primarily generalized education.
 - * Integrated schools.
 - * Decentralised management. Differentiated streams.
 - * Training seen as a voluntarily responsibility.
 - * Vague connection to social policy.
 - * Selection of countries: United States and Great Britain.
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The stylized presentation of the major education models in the tableau above should not hide the fact that the models are changing. (Müller & Wolbers, 2003) It's not only the Swedish state centred model that is in the midst of changes. In Germany there are endeavours to enlarge the space for subjects with a more general content inside the apprenticeship system, and at the same time widen the scope of the apprentice model to cover new fields in the

labour market. In United States there are endeavours to offer more of high quality vocational training in high schools to meet the demands of single employers as well as to reduce the numbers of dropouts.

One way of analysing the differences between these models is to see them as varying means of coping with market failures connected to investments in education. (Acemoglu & Pischke, 1999) As public goods in general, investments in education improve conditions for single individuals as well as for society as a whole. But the problem is that investments in education may be hampered by the insecurity that is connected to the distribution of individuals costs and gains of education. Economic theory tells us that an individual as well as a single company may find investments in education too risky – especially if we deal with more general education – and that this in turn motivates some kind of public intervention in order to facilitate investments and reduce transaction costs. The dual system and the state centred model can in this way be seen as examples of education models aiming at reducing the cost and insecurity connected to educational investments by more cooperation between companies and active state support. The Anglo-Saxon model differs from this picture by leaving settlements of cost and gain dividing to the worker and single employer. In practice this promotes a system where most of the education will take place inside primary labour markets characterised by qualified occupations and long tenures. Those who belong to the secondary labour markets characterised by lower demand on qualifications and shorter job tenures, get very little formal education on the job.

Two aspects of the education system usually get most of the attention when the importance of vocational education for facilitating labour entrance among youth is discussed: First there is a question about the standardisation of education streams at upper secondary level, the second aspect is attached to the degree of differentiation between streams. (Hannan, Raffae & Smyth, 1996) Standardization between education streams at different schools and different regions are supposed to facilitate transition from school to work by making potential employers, as well as employees, more sure about the working capacity and knowledge level of a person leaving a certain education. By differentiation we refer to the division between preparing educational streams and vocational streams. This differentiation can of course be more or less thorough. Vocational streams may encompass more or less general subjects, depending on traditions and labour market demands.

A transaction cost approach makes it easier to understand the importance of standardisation and differentiation in an educational context. High unemployment among youth relative to middle aged can be seen as an information problem. (Müller & Gangl, 2003) Employers can't be sure about a young person's knowledge and working skills. The more a vocational stream is connected to a well-established vocational structure – and the more comparable this stream is between different schools and regions – the less insecure employers has to be about job applicants skills. This means that costs connected to matching job applicants with vacancies can be lowered. Another conclusion is that a differentiated education model, relatively speaking, reduces the importance of internal labour market structures for training personnel, for evaluating performances of single employees and organizing promotion structures. This also means that formal educational merits are more highly valued than work life experience, which in turn should facilitate young peoples capacity to compete for jobs.

Historical and international experiences tell us that a combination of standardised and differentiated educational streams may facilitate the transition from school to work in a labour market with a marked vocational segmentation, something that has been the case in Germany.

During the last 10 to 15 years four nations with educations along apprenticeship lines have experienced the lowest youth unemployment inside the European Union: apart from Germany also Denmark, Netherlands and Austria. At the same time it's true that a very far-reaching differentiation may influence motivation in a negative way. Low standardisation and unclear differentiation may also infringe negatively on motivation, especially among pupils with social backgrounds lacking traditions of higher education. This may also result in higher incidence of social marginalization as well as more difficulties for employers in grasping the true quality of different educational streams. Of course, this will also make it more difficult for newly educated job applicants to find work that match their aspirations and qualifications.

2.2. Do vocational streams at upper secondary level make any difference? Experiences from the 1990s.

In order to investigate if Swedish experience concerning school to work transition corresponds with transition patterns in other countries, we have to analyse some data on primary occupations, income levels and social backgrounds for young adults. Data on grades from compulsory schools is also important to get information about previous school performances.

First, we can establish from table 1 below that individuals with only compulsory schooling or vocational education at upper secondary level, in ages between 20 and 24, have been over represented in the group with below average grades from compulsory school. In the year 2000 the over representation for those with only compulsory schooling was 65 per cent, and 60 per cent for those that had accomplished a vocational education. The opposite was true for those that had accomplished a stream preparing for higher education. This group was instead over represented among those with above average grades from compulsory school.

Compared to those with a theoretically oriented education at upper secondary level, there was a much larger fraction of those with a vocational education whose parents had an income below average as well as highest education at compulsory school level. Both among those with only compulsory schooling and those with vocational education, the fractions with parents earning a yearly income below average were 20 per cent higher than these groups share of the population as a whole. Those with an accomplished theoretical education had a 15 to 20 per cent over representation among those with parents whose income exceeded average. The same pattern can be traced if we look at parent's educational backgrounds. The parents of those in the age group between 20 and 24 with only compulsory or vocational education have generally lower education compared to the parents of those with theoretical education. In 2000 the over representation in the group with parents with highest education at compulsory level exceeded 50 per cent for those young adults with compulsory schooling, and 40 per cent for those with a vocational education.

Data on grades and parent's education and income levels illustrate how selections of pupils between different educational paths are influenced by social backgrounds factors. We will follow some of these aspects a bit further when we now turn to a more detailed analysis of the social conditions for three different educational groups: those with their highest accomplished education from compulsory schools, those with a vocational education from upper secondary school, and finally those with a theoretically oriented education from upper secondary school.

In order to get a rough picture of income variations between groups with different educational backgrounds, we use an income measure defined by the Swedish government once a year, the so-called basic amount. As can be seen in table 1 below, of those with a very low yearly

income, less than one basic amount (36.600 Swedish kronor in 2000), those without upper secondary education constituted more than twice their share of the whole population between 20 and 24. Further, their share of those supported by social welfare was close to four times their share of the age group between 20 and 24.

The figures in table 1 should be interpreted as follows. If the figure is exactly 1, that means that the representation for one of the three education groups (for instance those with only compulsory schooling) in any of the 8 categories (for instance among those with above average grades from compulsory school) exactly match their fraction of the population between 20 and 24 as a whole. Any divergence higher than 1 or lower 1 shows that the education group (those with only compulsory schooling) are over represented or under represented in the category (grades above or below average).

Table 1. The fractions with their highest education from compulsory schools, vocational education at upper secondary level and general education at upper secondary level, in 8 different categories, proportionally to the fractions with the same education in the age group as a whole. 20-24 year olds.

| Year | Compulsory schools | | | | Vocational education | | | | General education | | | |
|------|--------------------|-----|-----|-----|----------------------|-----|-----|-----|-------------------|-----|-----|-----|
| | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 |
| 1993 | - | 0.7 | 3.7 | 0.6 | 1.2 | 1.1 | 0.7 | 0.8 | 0.6 | 1.0 | 0.6 | 1.2 |
| 1994 | 1.4 | 0.7 | 3.3 | 0.6 | 1.3 | 1.2 | 0.7 | 0.9 | 0.8 | 1.0 | 0.6 | 1.2 |
| 1995 | 1.3 | 0.8 | 3.2 | 0.6 | 1.3 | 1.2 | 0.8 | 0.9 | 0.8 | 1.0 | 0.6 | 1.1 |
| 1996 | 1.3 | 0.7 | 3.3 | 0.6 | 1.3 | 1.2 | 0.9 | 0.8 | 0.9 | 1.0 | 0.6 | 1.1 |
| 1997 | 1.5 | 0.7 | 3.5 | 0.6 | 1.5 | 1.2 | 0.9 | 0.8 | 0.8 | 1.0 | 0.6 | 1.1 |
| 1998 | 1.5 | 0.8 | 3.8 | 0.6 | 1.5 | 1.2 | 0.8 | 0.8 | 0.7 | 1.0 | 0.6 | 1.2 |
| 1999 | 1.5 | 0.8 | 3.9 | 0.6 | 1.5 | 1.2 | 0.7 | 0.9 | 0.5 | 1.0 | 0.5 | 1.1 |
| 2000 | 1.6 | 0.9 | 4.4 | 0.6 | 1.6 | 1.3 | 0.6 | 0.9 | 0.7 | 1.1 | 0.3 | 1.2 |

1=Grades below average from compulsory schools.

2=Gainfully employed.

3=Social welfare as main yearly income.

4=Parents with a yearly income below average.

| Year | Compulsory schools | | | | Vocational education | | | | General education | | | |
|------|--------------------|-----|-----|-----|----------------------|-----|-----|-----|-------------------|-----|-----|-----|
| | 5 | 6 | 7 | 8 | 5 | 6 | 7 | 8 | 5 | 6 | 7 | 8 |
| 1993 | 1.5 | 0.9 | 1.5 | 0.5 | 0.7 | 1.4 | 1.3 | 0.3 | 1.2 | 0.7 | 0.7 | 1.3 |
| 1994 | 1.4 | 0.9 | 1.6 | 0.6 | 0.8 | 1.5 | 1.3 | 0.4 | 1.1 | 0.8 | 0.8 | 1.2 |
| 1995 | 1.5 | 0.8 | 1.5 | 0.7 | 0.7 | 1.5 | 1.3 | 0.4 | 1.1 | 0.8 | 0.9 | 1.1 |
| 1996 | 1.6 | 0.8 | 1.4 | 0.7 | 0.9 | 1.5 | 1.4 | 0.4 | 1.1 | 0.9 | 0.9 | 1.0 |
| 1997 | 1.6 | 0.7 | 1.3 | 0.8 | 0.8 | 1.5 | 1.5 | 0.4 | 1.0 | 1.0 | 0.9 | 1.0 |
| 1998 | 1.7 | 0.7 | 1.4 | 0.8 | 0.8 | 1.5 | 1.4 | 0.4 | 1.0 | 1.0 | 0.9 | 1.0 |
| 1999 | 1.8 | 0.7 | 1.5 | 0.7 | 0.8 | 1.5 | 1.4 | 0.4 | 1.0 | 1.0 | 0.8 | 1.0 |
| 2000 | 1.9 | 0.8 | 1.6 | 0.6 | 0.7 | 1.6 | 1.5 | 0.4 | 1.0 | 1.1 | 0.8 | 0.8 |

5=Yearly income below one basic amount.

6=Yearly income higher than three basic amounts.

7=Main yearly income as unemployment benefit (for open unemployed) or activity support (for those taking part in unemployment measures).

8=Main yearly income related to income support for students.

Source: Statistics Sweden.

In the beginning of 1990s youth with a general education were slightly over represented among those with the lowest income (less than one basic amount). They constituted a lower share of the unemployed and were over represented among students, at least until the midst of 1990s. As can be seen in table 1, they were also clearly under represented among those supported by social welfare. Their representation among those with a relatively satisfactory yearly income, higher than three basic amounts, were lower in the beginning of the 1990s, but increased and matched their fraction of the whole age group in year 2000.

If we then turn to those with an accomplished vocational education at upper secondary level, we can conclude that their fraction of the unemployed was higher than could be expected, in average 20 to 30 per cent higher. This must of course be seen as a negative divergence. But the income situation of the whole group points in the direction of lower financial problems, not only compared to those lacking upper secondary education, but also to those with a theoretical education at upper secondary level.

Those with a vocational education have since the beginning of the 1990s constituted a smaller fraction of those supported by social welfare. The same can be said about their fraction of those with incomes below one basic amount. Contrarily, they are clearly over represented among those with an income above three basic amounts. We can conclude from the data in table 1 that their fraction of those with a yearly income above 3 basic amounts was about 50 per cent higher during the whole period than their share of the total population should suggest. The fraction of this group of those with gainful occupation was also higher than their share of the whole age group, approximately 20 per cent higher.

One main conclusion then, is that the under representation among those supported by social welfare, as well as the high share of those with an income above three basic amounts per year, not only indicates that those with accomplished vocational education get jobs more easily, but they also benefit more from unemployment insurance and other income related social benefits. This explains why they don't have to apply for means tested social welfare in case of unemployment or sickness.

It's important to note that the positive effects on employment and income for those with an accomplished vocational education don't seem to be of a temporary nature. This can be inferred from statistics on those born 1973 and 1974. In the middle of the severe economic downturn, in 1993, only 60 per cent of those in this age with a vocational education were gainfully employed. (Statistics Sweden) The corresponding figure ten years later, 2002, was 80 per cent. This can be compared to those in the same age without accomplished upper secondary education. In this group only 40 per cent were employed 1993, and 57 per cent 2002. We can also add that in 2002 less than 1 per cent of those in the ages between 25 and 30, with a vocational education, were supported by social welfare. The corresponding figure for those without accomplished upper secondary education was 8 per cent.

We can also trace similar differences among those between 25 and 30 with a vocational and general education at upper secondary level. The employment rate was higher for those with a vocational education. The income level was also higher. The fraction of those in the age group between 25 and 30, with a yearly income exceeding three basic amounts, were three percentage points higher among vocationally educated. At the same time, the share of those with a very low yearly income, less than one basic amount, was one to two percentage points higher among those with a general education at upper secondary level.

We have to stress that the statistics discussed above refers to young adults with an education from the old upper secondary school system. In the later part of the 1990s programs with a longer duration and broader content successively replaced clearly differentiated vocational streams. Naturally, a lot more research have to be done before we can determine the exact effects of upper secondary educations, but we can at least conclude that the statistics in table 1 indicate some important social functions of vocational education. We will return to this in the last section. The motive behind changes in upper secondary schooling in Sweden was that new labour market conditions, growing mobility as well as higher demands on general qualifications, had outdated the old vocational streams. As will be seen, this opinion can be questioned. There are no clear signs of new mobility trends in the Swedish labour market. But there are many signs of stronger segmentation patterns. In spite of all good political intentions behind the upper secondary school reform in the 1990s, the effect of the reform seems to be more segmentation and growing social inequality.

We will now leave the upper secondary school system for a while and in stead focus on labour market policy. In what way has labour market policy changed during the last 15 years? Are these changes related to changes in the education system? Is it right to talk about fundamental changes in the Swedish labour market model – or are we dealing with adaptations to new conditions in the labour market within one and the same labour market regime?

3. Changes in the labour market policy – a comparative and historical view.

Labour market policy – or rather active labour market policy (ALMP) – has traditionally been one of the most important elements of the Swedish model. Already in the 1940s and 1950s two economists working for the Swedish trade unions, Gösta Rehn and Rudolf Meidner, formulated a few guiding principles for the expansion of labour market measures. These principles later became known as the Rehn-Meidner model. The Rehn-Meidner model had great impact on the actions taken by the National Labour Market Administration from the late 1950s, and still to this day is seen as a kind of ideological foundation for ALMP. (Erixon, 1997)

According to the Rehn-Meidner model labour market measures were needed at all times, not just at times of high unemployment. Rehn and Meidner also emphasized the importance of active, educational and mobility oriented measures. This was part of their view that labour market measures were first and foremost needed to smooth structural transformation – for instance as a result of unions struggling for less wage differences – and to adapt labour to the demands of continuous change in a growth- and export-oriented economy. Within the Rehn-Meidner model, labour market measures played a crucial role in combining high employment with low inflationary pressure.

Influenced by this model, ALMP was given high priority as a part of the political strategy to promote sustainable economic growth. The policy was centralised in character and was directed by the belief that social costs, resulting from structural transformations in the economy, should be dealt with by the state. In accordance with this, the space for local or municipal influences was restrained.⁴

⁴ Social partners were represented in local corporative councils connected to employment offices as well as in boards at national level. This corporative structure was also in place for upper secondary education. But this doesn't change the fact that ALMP was very centralized in character.

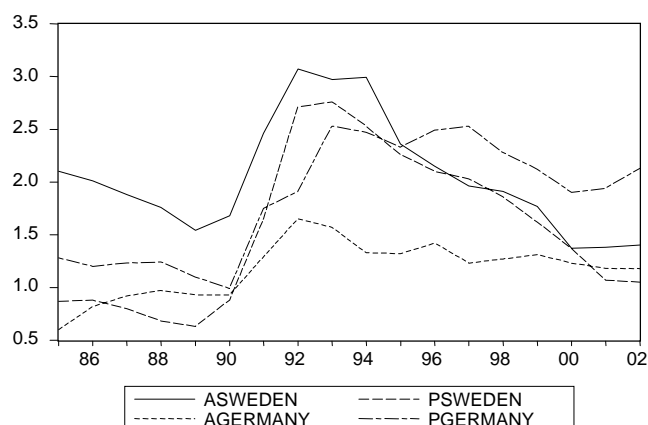
3.1. A comparative view on ALMP in Sweden

It's interesting to compare ALMP in Sweden and Germany. Germany is as Sweden known as a country with a regulated labour market, and ambitious measures connected to both vocational education and social policy. Concerning the concrete shaping of the regulation system, however, there have traditionally been rather profound differences between the two countries. The corporative structures in Germany are less centralised and more oriented towards single branches. (Bamber, Greg & Lansbury, 2002) This may be connected to the origins of the social insurance system. The first social insurances, legislated during the 1880s, were directly tied to branches and occupational corporations. It was also companies and single insured that had to deal with both administration burdens and financing. A basic structure for welfare systems developed that were much more occupationally and company oriented compared to the situation in Sweden. This can also be seen in agreements and legislation concerning industrial relations. In contrast to the situation in Sweden, companies and employees have to finance the unemployment insurance in Germany. (Blien, Walwei & Werner, 2002) In Sweden the costs are covered through the state budget. Special worker councils for direct employee involvements in company matters, established after the Second World War, are also an expression of the more decentralized nature of industrial relations in Germany. (Wood, 2001)

Even more interesting in connection to ALMP, is that these worker councils, in cooperation with management, have to draw up social plans at layoffs covering more than 20 employees. (Houseman & Abraham, 1993; Hassel, 2003) The purpose of these plans is to find out if those under threat of being laid off can be transferred to other positions within the company, or if they should be trained for new occupations in other companies. Due to the existence of parallel and extensive employment protection the emphasis is often placed on the first goal. To this we also have to add the widespread use of early retirement and temporary cuts in working hours, partly financed through the unemployment insurances. One consequence of this policy is that only around 30 per cent of the German population between 60 and 65 was gainfully employed in the late 1980s, a figure that can be compared to 65 percent in Sweden. After the economic difficulties following the 1990s, the use of early retirements, as a measure to keep down unemployment rates, has been more restrained in Germany at the same time as it has been more extensively used in Sweden.

One conclusion, then, is that the differences between the two countries have something to do with ideas on social responsibility at the company level. The historical traditions in Germany have inspired benefit systems tied to single companies and occupations, and different political traditions in Sweden have contributed to a more centralised welfare system. At the same time as the Swedish labour market policy – at least theoretically – has been more mobility and supply oriented, German policies have been more oriented towards passive measures like early retirements and reduced working hours.

Figure 5. Public expenditures on active (A) and passive (P) labour market measures in per cent of GDP in Sweden and Germany, 1985-2002.



Source: OECD. CDE Corporate Data Environment.

If we choose to look at separate parts of the labour market policy, during one single year, it may be easier to grasp the differences shown graphically in figure 5. In 2002 expenditures on unemployment benefits and early retirement support made up 69 per cent of the total labour market policy expenditures in Germany, compared to 43 per cent in Sweden. Education and training amounted to 27 per cent of the total expenditures in Sweden, compared to 15 per cent in Germany.

3.2 Changed policy direction in Sweden?

Is there a problem with diminishing effectiveness of labour market policy measures? Many Swedish and international studies seems to point in that direction. (Calmfors, Forslund & Hemström, 2001) But if we shall evaluate the effectiveness of different measures we also have to distinguish explicit and implicit policy goals. Traditionally the Swedish labour market policy has been a part of economic policy. But at the same time, there has always existed a more short ranged social policy motive. The maintenance motive has also, which will be shown below, been of greater importance during recent years. (Arbetsmarknadspolitiska program, Swedish National Labour Market Administration, 1999-2004) One of the most important guiding rules for the Swedish National Labour Market Administration, according to the government, is that the most vulnerable groups in the labour market should be given highest priority. Amongst the most vulnerable groups youth are included besides immigrants and those with functional handicaps.

Given the goal that labour market policy should promote fewer and shorter spells of unemployment, an evaluation of policy accomplishments should include at least three variables:

- Open unemployment.
- The fraction of long-term unemployed.
- The composition of the unemployed.

The unemployment rate is, as discussed before, still much higher than before the deep crisis in the early 1990s, in spite of rather high economic growth since 1995. The employment ratio in ages between 16 and 64 is approximately 5 percentage points lower and the number of people outside the labour force is 400.000 higher. This can be explained by growing numbers of early

retirements as well as more students. (Sysselsättning och arbetslöshet 1975-2003, Statistics Sweden, 2004)

Lower employment and higher unemployment are reflected in a rise in long-term unemployment. During the 1970s and 1980s fractions of long-term unemployed fluctuated between 15 and 20 per cent. Thereafter the fraction went up during the crisis in the 1990s, but still constitutes over 30 per cent (2004). (OECD, Corporate Data Environment)

The composition of the group of unemployed has also changed. The employment ratio has declined and the unemployment ratios have increased for youth, immigrants and those lacking upper secondary education. Among young adults the employment rates, as shown before, sank from 80 per cent in the beginning of the 1990s to 60 per cent today. The employment rate for those born outside Sweden decreased from above 70 per cent in the 1980s to less than 60 per cent today. (Statistikrapport 2004, Swedish Integration Board, 2005) The difference in employment rates between Swedes and immigrants, in the ages between 16 and 64, amounts to 15 percentage points.

The third major change in the composition of the unemployed since the 1990s concerns those with a weak educational background. Those with only compulsory schooling generally have, as discussed before, much lower labour force participation, lower employment rates and higher unemployment figures, than those with upper secondary and post-secondary educations.

Table 2. Labour force participation (per cent of population) and open unemployment for those lacking upper secondary education, 16-64 years.

| Year | <i>Labour force participation</i> | | <i>Open unemployment</i> | |
|------|-----------------------------------|-----|--------------------------|------|
| | Women | Men | Women | Men |
| 1971 | 55 | 91 | 2,8 | 2,7 |
| 1975 | 62 | 89 | 2,7 | 1,8 |
| 1980 | 69 | 88 | 2,8 | 2,3 |
| 1985 | 70 | 85 | 4,0 | 4,7 |
| 1990 | 80 | 90 | 2,4 | 1,8 |
| 1995 | 67 | 75 | 9,3 | 10,1 |
| 2000 | 67 | 79 | 8,5 | 7,6 |
| 2002 | 65 | 78 | 6,3 | 5,4 |

Sources: Arbetskraftsundersökningarnas tilläggsfrågor 1970-1995, Statistics Sweden, Employment Outlook, OECD, 2002 & 2004.

The decrease in labour force participation among low educated men began, as shown in table 2, already in the 1970s, but were then compensated by an increase in women's labour force participation. However, after 1990 the picture changed. The labour force participation decreased among women as well as men, but in per cent more among women than men.

The general rise in educational attainments must be seen as an important factor behind the increased competition problems for groups lacking upper secondary education. For the Swedish labour force in general, in ages between 16 and 64, the fraction with only pre-secondary education decreased from 60 per cent 1971 to 25 per cent 1995. (Arbetskraftsundersökningarnas tilläggsfrågor, Swedish National Labour Market Administration, 1970-1995; Selin & Tydén, 2003) During the same time period, the fraction

with some post-secondary education increased from 30 per cent to 50 per cent. Differences in employment rates for young adults have, as shown before, been even more pronounced since the beginning of the 1990s. In the early 1990s the differences in employment rates between groups with and without upper secondary education was negligible. Today the gap in employment rates is 20 per cent in ages between 20 and 24.

It's not possible to conclude that the changes discussed above implicate declining efficiency in ALMP. The changes must instead be seen as signs of a structural transformation in the economy that affects demands for labour, qualifications and segmentation patterns. One possible conclusion, which we will return to in the last section of the paper, is that the labour market has become more segmented. Entrance obstacles and entrance requirements for those outside the internal labour markets, mostly low educated youth and immigrants, have increased. As a consequence of this, prerequisites for goals and measures in labour market policy have changed to.

The changes that have been recognized in employment and unemployment patterns are, of course, in now way unique for Sweden. We can identify the same trends in most comparable countries. In USA, for instance, those with only pre-secondary education had an employment rate that was 10 percentage points lower, and an unemployment rate that was twice as high, as in Sweden in the end of the 1990s. (Employment Outlook 2004) A liberal labour market regime is not necessarily more employment friendly than a more regulated regime. (Baker, Glyn, Howell & Schmitt, 2002)

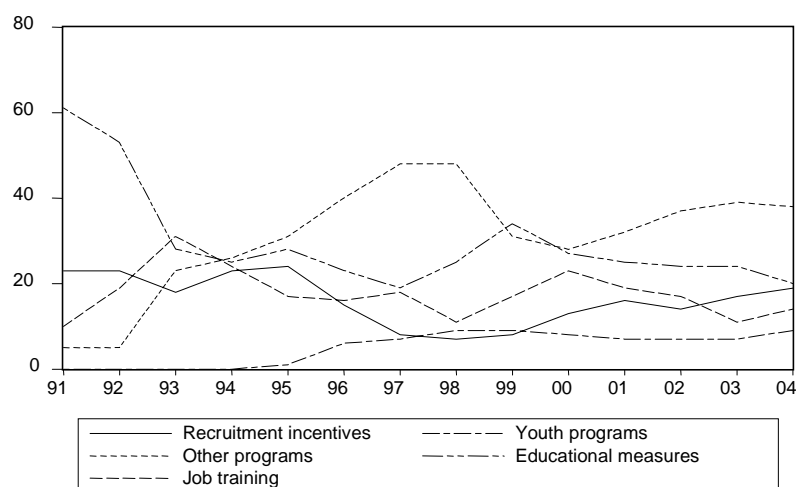
3.3 Expansion of labour market measures after the early 1990s

It has been stressed that the active measures in labour market policy are considered of great importance in Sweden. The volume of unemployed in active measures has since the beginning of the 1990s constituted approximately half of that in open unemployment. During the latest five years they have constituted 2.5 percent of the total labour force. In an international context, it's a very high figure. However, in a long-term perspective – and in relative terms – it's a reduced fraction compared to the 1970s and 1980s. (Johannesson, 1995) As shown in figure 5 the expenditures on active measures, as a share of GDP, have been lower during the last 5-years period than during the later part of the 1980s, even if the total unemployment was much lower during the 1980s. Furthermore, the volume of participants in active measures was higher between 2000 and 2005 than between 1985-1990. This means that the piece cost of ALMP, that is the average cost per participant and month, has decreased. There are two possible explanations to decreasing piece costs: first, reduced cost for every single program, or, second, a change in the mix of labour market programs in favour of less expensive measures. As will be seen, the later is the most reasonable explanation.

In what way have the mixture of programs changed? Two circumstances can help us to clarify recent changes in ALMP: first, the program mix expressed as participants remaining in different activities (the distribution of cost), and, second, the relation between occupational (preparing) and active measures (the orientation of activities). We begin with the program mix.⁵

⁵ I would like to thank the unit for analysis and investigations at Swedish National Labour Market Administrations for delivering the unpublished statistics presented here.

Figure 6. The mix of programs with reference to the share of remaining participants (average per months), 1991-2004.



Source: Analys- och utredningsenheten. Swedish National Labour Market Administration.

The most apparent change from the beginning of the 1990s, shown in figure 6, is that educational measures have reduced their share of the total program volume. The same could be told about job training measures (activities enhancing work experience). Educational measures include qualified vocational education as well as preparatory training courses. Job training measures refer to various youth schemes, practice for academic graduates, practice for immigrants, and work placement schemes (which replaced the three first mentioned measures in 1995). Another change that is apparent in figure 6, is that those measures summoned under the title “other programs” have increased their share since the early 1990s. Other programs include a mix of different measures: work life development (a kind of relief work that was abandoned in 1998), resource work, project work, work oriented rehabilitation, start-up grants, computer activity centres and temporary public employment (for older people, abandoned in 2001). In later years this broad category of measures include introduction and follow up support, activities covering guidance and job placement, and projects with an orientation towards labour market policy.

Annual accounts show that educational measures are the more expensive programs. Vocational courses are on average – and in terms of piece costs – twice as expensive as other measures. Thereafter follows recruitment incentives and job training measures. All these measures have, as can be seen in figure 6, decreased their shares of the total program volumes. Youth measures, that in later years encompass the so-called municipal youth programmes and youth guarantee, are the cheapest programs with piece costs that amount to 20 per cent of the piece costs for vocational courses. These youth programs have increased their share of the total program volumes during the last 15 years. In 2004 the share of the total program volume was 10 percent. As pointed out before, 4 per cent of the population between 18 and 25 participated in some kind of labour market program.

3.4 Why has the mixture of labour market programs changed?

Efforts to minimize public expenditures are one strong driving force behind the rising share of programs with lower piece costs. In order to maximize the volume of participants for a given amount of expenditure, the piece cost per measure have to be decreased. During the acute crisis in the beginning of the 1990s this was also a guiding rule for the Swedish unemployment policy. The parliament decided how many unemployed that should participate in labour market programs every year – the so called volume goal. The strong expansion of

local relief works in the early 1990s can be seen in this perspective. (Ohlsson & Olofsson, 1998) Obviously there was a contradiction between the goal to maximize the numbers of participants, and the efforts to show good results in terms enriched qualifications and job attainments. This contradiction originated in the directives from the government to the national labour market administration: ALMP should enhance economic growth and mobility as well as show special concern for socially vulnerable groups.

This contradiction in the guidance of ALMP has become more apparent since the early 1990s. Orienting and preparatory measures constitute a wider share of the total program mixture today than 10 years ago. These programs are not shaped to result in steady jobs for the participants. The main intention is to prepare the participants for other measures, either connected to further education or work. Unemployed with a history of long periods of registration at the employment offices constitute the main group of participants in these measures. There is neither any time limit for participation.

One of the most controversial programs in Sweden today is the guarantee of activity (aktivitetsgarantin) that was set up in 2000. The guarantee of activity doesn't denote a special activity but in fact embraces several different measures. These measures have some common characteristics: first, the local influence over the activities (a local action plan should be set up for every single individual), second, the absence of defined time limits, and, three, the dominance of groups with long periods of registration at employment offices. You have to have been registered at the employment office for at least two years to qualify as a participant in the guarantee of activity. In spite of this, the number of participants has grown very fast. Today – in the first quarter of 2005 – the share of participants in the guarantee of activity constitutes 35 per cent of the total participant volume in so-called trade cycle dependent programs. Activities connected to guidance and employment service, and preparatory courses, are the two main measures in the guarantee of activity. About half of the participants in these activities only have compulsory schooling. Many of the participants also belong to different immigrant groups. The expansion of these measures must therefore be seen as a direct effect of the worsened labour market situation for non-Scandinavian and non-European immigrants, as well as for those in the labour force lacking education at upper secondary level.

Even if public financial considerations have been a driving force behind the changes in ALMP since the beginning of the 1990s, it's obvious that structural changes in the economy, indirectly affecting labour market conditions, have played a more important role. There is a strong pressure on the labour market authorities to meet educational and activation needs for those that otherwise tend to be caught in marginalized positions: youth lacking upper secondary education, elderly unemployed, non-Scandinavian immigrants and handicapped. The risks connected to long-time unemployment and inactivity is confronted through measures with the primary motive to counteract further social marginalization, not to facilitate immediate employment.

This change in the mixture of ALMP can accordingly be understood in light of structural transformation, changes in the demand for labour, and tendencies to a wider gap between internal and external labour market segments. We will discuss this more in the ending section. But we may round off this part by concluding that changes in the conditions for labour market policy affects our appreciation of the efficiency of single measures. If the main purpose of a program is to counteract social marginalization, it's not enough to define the efficiency in terms of micro economic output as is often the case in efficiency evaluations conducted by

economists.⁶ The evaluations must also consider the long-term alternative cost, for individuals as well as for the society at large, of human capital destruction generated by permanent inactivity. In other words, efficiency evaluations must consider effects on physical and mental health, use of drugs, criminal behaviour etc., as well as short-term employment and income effects.

4. At the root of the problem: A more segmented labour market.

Two important changes in public welfare institutions in Sweden have been analysed in this paper: first, the education system at upper secondary level, and, second, the ALMP. Now it's time to investigate in what way these changes are interconnected. I will argue that the origins are twofold, but at the same time interconnected. They are interconnected through real or perceived changes in labour market. And, as will be obvious in this section, changes in schooling must be seen as a factor contributing to stronger segmentation patterns in labour market, and changes in ALMP as an effect of these new segmentation patterns.

4.1 Higher mobility – or not?

In the public debate it's a common view that safe and long-term employment relationships are dissolved as a result of the new ICT- and project-based economy and strong globalisation forces. It's argued that atypical jobs will be the rule rather than the exception in the future, and there are references to the increasing numbers of part time employees, employees with fix-term contracts and the growing amount of employed through temporary work agencies. But these notions are not easily confirmed by empirical investigations. In Sweden as well as in western Europe 85 per cent of the employees have non-tenured appointments. The fraction of the labour force working part time has increased by 3 per cent since 1990. It's a considerable growth, but not as alarming as often conceived. The same could be said about the temporary work agencies. Only 1 per cent of the labour force in Sweden is employed in temporary agencies. Youth are overrepresented. But it's important to note that they work under the same rules as employees in other parts of the labour market. This means that most of them have non-tenured appointments, they are covered by collective agreements, etc.

According to investigations performed by OECD the general job tenure, in one and the same company, didn't change much from the beginning of the 1980s until the early 1990s. (Employment Outlook 1984 & 2000) Later investigations tell the same story. (Auer & Sandrine, 2003; Auer, 2005) In Sweden the general job tenure is 10 to 11 years, and this is also the average for EU (15). Since the beginning of the 1990s there have, in fact, been a slight increase in job tenures in Sweden, something that can also be seen in other countries, for instance the U.S.

Even if we investigate job tenures from another point of view, and compare the distribution of employees with tenures longer than 10 years with those shorter than 1 year, we get the same picture. 40 per cent of the employees in Sweden have job tenures longer than 10 years, and this fraction has also increased between 1992 and 2002. During the same period the fraction with job tenures shorter than 1 year decreased to 14 per cent. In EU (15) the fraction of the employees with job tenures shorter than 1 year was 15 per cent in 2002.

If we compare these figures with statistics on job tenures in U.S., there are easily noticed differences. In the U.S. the fraction of employees with short tenures – less than 1 year – constitutes 25 per cent of the total labour force. The fraction with long job tenures – longer

⁶ See for instance reports issued by the Swedish Institute for Labour Market Policy Evaluations (IFAU). [Http://:www.ifau.se](http://www.ifau.se).

than 10 years – also constitutes 25 per cent of the labour force. The mobility of the labour force is generally higher in U.S. than Europe, and the spells of unemployment are both more frequent and shorter. 50 per cent of the employees change employer every second year. But at the same time it's important to notice that the mobility in U.S., as well as in Europe, is concentrated to certain groups and branches. Youth and ethnic minority groups have higher mobility. And companies within the service sector are characterised by higher mobility than industries and public sector. Those with higher education are less mobile than those with lower education. All this can be seen as signs of common labour market segmentation patterns in U.S. and Europe.

We should also notice two separate interpretations of labour market mobility. First, mobility can be measured as flows between different states (from employment to unemployment, unemployment to employment, and from one occupation to another). If we, however, focus on economic growth, it's more relevant to grasp mobility from a Schumpeterian view, as the destruction of old jobs and the flourish of more productive occupations. According to international comparisons, the first kind of mobility is higher in U.S. than in Europe, but there are no such differences in the second kind of mobility. (Pries & Rogerson, 2004)

The mobility that has been discussed here should neither be confused with geographic mobility. Geographic mobility among adults has increased in Sweden during the last 20 years, but is, in fact, still lower than the mobility figures during the 1970s. In 1971 the fraction of the population between 16 and 64 that moved from one county to another amounted to 3 per cent. In 2003 the corresponding fraction was 2 per cent. The rising trend in geographic mobility during the last 20 years is explained by rising preferences for movements among young adults (especially those between 20 and 24 years). (Israelsson, Strannefors & Tydén, 2003) Changes in geographic mobility are, consequently, strongly correlated to rising fractions of young adults in post-secondary education. It's not an expression of changes in employment contracts or more insecure employment conditions.

4.2 Different kinds of flexibility

Variations in institutional contexts contribute to explain differences in mobility patterns between countries, even if we don't have a completely clear-cut picture. There are reasons to believe that long-term employment relationships are of interest for both employers and employees. Longer job tenures facilitate investments in formal and informal learning at work, with positive effects on efficiency. There are also a lot of studies confirming a positive connection between job tenure and productivity. (Employment Outlook 2000; Auer, Berg & Coulibaly, 2004) Differences in job tenures and employment security can be understood as different strategies for flexibility under different labour market regimes, or as differences between functional flexibility and quantitative flexibility. (Regini, 2000; Streeck, 1991)

The possibility to adapt single workers assignments to changes in demand and technology depends on functional flexibility. Improvements in functional flexibility depends on conditions at internal labour markets; the qualifications of the labour force in a company, internal mobility, application of seniority rules, delimitations between different occupational groups, etc. The capacities and abilities of the employees is the most important condition for functional flexibility. We are here referring to formal education as well as informal learning through working life experience. Labour markets in Germany and Japan are usually associated with high levels of functional flexibility, but low levels of quantitative flexibility, while the opposite is usually said to be true about Great Britain and U.S., countries with more liberal labour market regimes.

A well-known problem is that there are contradictions between different flexibility demands. Quantitative flexibility connected to changes in employment and wages may be carried through at the cost of functional flexibility. Improvements connected to market regulated wage settings and unregulated employment contracts are neutralized by efficiency reducing costs: more conflicts, cooperation difficulties, reduced interest in education and learning, and resistance to technical change. Those who criticize neo-liberal strategies often emphasize the lack of empirical foundation for statements about growth and employment enhancing effects of market-liberal reforms. (Employment Outlook 1999; Agell, 1999; Müller & Gangl, 2003; Streeck, 1989, Lindert, 2003) There is, for example, no direct link between tax shares of GDP in different countries and levels of unemployment. Coherent labour market organizations and coordinated collective agreements tend to enhance employment. Even ALMP, especially educational measures, tend to stimulate employment. And, finally, it is not possible to trace any clear-cut negative employment effects to employment protection legislation.

Finally, we can conclude that labour mobility differs between different labour market regimes. There is not much today, in spite of neo-liberal politics in some countries and strong winds of globalisation, indicating a convergence between different labour market regimes. (Hall & Soskice, 2001) Institutional differences remains. But, at the same time, we can trace a growing segmentation pattern in most countries, in spite of institutional differences. The last question we have to answer, then, is how changes in vocational education at upper secondary level and labour market policy are connected to these segmentation patterns?

4.3 Vocational education, labour market policy and a more segmented labour market

We have been able to trace signs of increased “economic dualism” in several countries during recent decades. Transformations in the economy have contributed to more divided labour markets in most rich countries. (Bowles, Edwards & Roosevelt, 2005) At the same time, it’s obvious that institutional settings make a difference. Absence of vocational education seems to make the transition from school to work more difficult, at the same time as absence of ALMP creates scope for a large low wage sector. (Estevez-Abe, Iversen & Soskice, 2001)

One main conclusion is that increased segmentation can be seen as both a cause and an effect of changes in upper secondary education. The decision to change vocational streams into broader and longer programs were motivated by concerns regarding the new economy and its demand on qualifications and flexibility. Longer education and access to post-secondary schools should make it possible to reduce the negative social effects of fast technological change and globalisation. As we have seen, there is strong reason to believe that this reasoning were wrong. The intentions were good, but the results were stronger segmentation and increasing inequality. This, in turn, contributed to changes in ALMP in a more social and less mobility oriented fashion.

A more general orientation of upper secondary schools means:

First, the lack of vocational preparing streams in upper secondary education means more insecurity on the part of both the youngster and the employer when it comes to finding efficient job matches. The employer can’t be sure about the productive capacity of the youngster and has to reckon with longer periods of introduction training. The youngster, on the other hand, is less sure about her or his own capabilities, and finds it more difficult to find a job opening that answers to her or his formal qualifications.

Second, a great expansion of the post-secondary education system, in combination with a labour market characterised by slack demand and excess of supply, means that those with higher formal education have to accept jobs demanding lower qualifications. As an effect of this, lower educated – and especially those with only education from compulsory schools – finds it even harder to get entrance to the labour market.

Third, a more generally oriented upper secondary education results in growing numbers of dropouts. Given that the Swedish labour market regime results in comparatively small income differences – both regarding age and education – there is not much space for a sector with low wage jobs. Instead of being allotted to low pay jobs, as in U.S., those without secondary education have been increasingly dependent on social welfare and labour market policy.

Fourth, the difficulties meeting young and low educated in getting entrance to the labour market, affects the mixture of measures and general orientations of ALMP. The goal of preparing especially vulnerable groups for future jobs – through social and general training – gets higher priority relative the traditional goals of mobility and immediate matches between job seekers and vacancies. For those being laid off, but better anchored in the labour market, there are increasing possibilities to find a job through special job guidance insurances between labour market organizations (agreements on adjustments) and through private job placement companies.

Finally, there is not much sign of a deregulation of the Swedish model in a more liberal fashion. But there is evidence showing that single institutions in the Swedish model – vocational education as well as labour market policy – are changing in response to structural transformation in the economy and new conditions in the labour market. A stronger economic dualism – or segmentation – means that a larger group finds it harder to get jobs. They become increasingly dependant on ALMP.

4.4 Final words

In Sweden there is a great deal of public concern about the prolonged transition from schools to work, the problems of integration of foreign born as well as low educated. The age of establishment in the labour market, that is the age when 75 percent of a cohort is employed, has been delayed from 21 years in 1987 to 27 years today. This is seen as a problem, partly because of the social calamities traced to unemployment and inactivity. But it's also seen as a problem in view of coming strains on the public economy as a result of a more unfavourable demographic situation: less people in working age have to support more people outside working ages. The public sector needs a huge volume of taxable working hours to be able to finance its welfare policy commitments.

Figure 7. The connection between hours worked annually in the Swedish economy as a whole (billions) and the general government net lending (percent of GDP), 1971-2002.

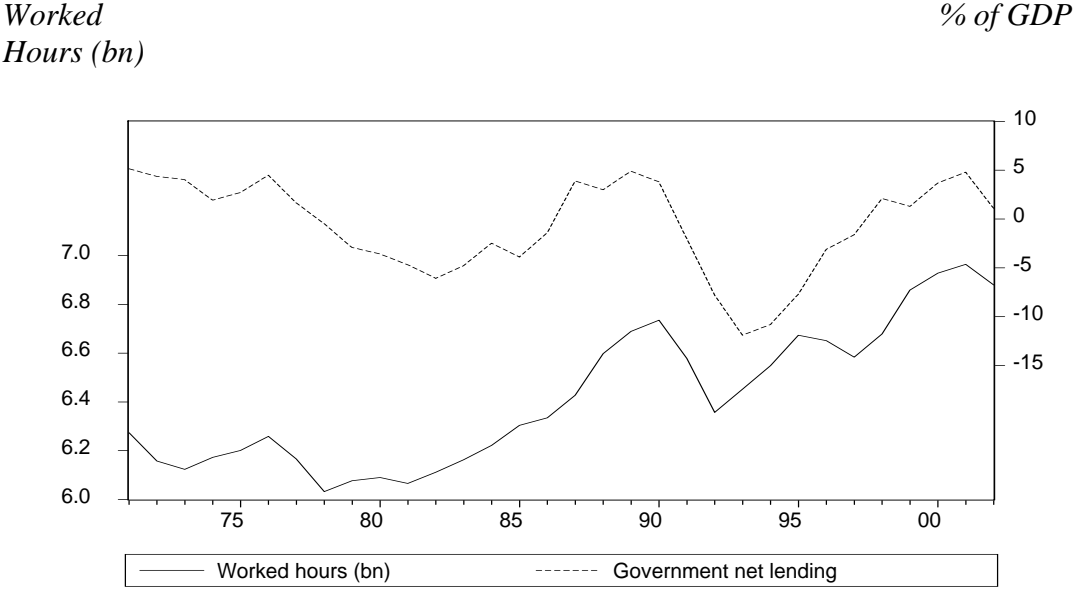


Figure 7 illustrates the connection between public finances and volumes of working hours. A generous welfare system like in Sweden is naturally very vulnerable for changes in the volume of working and taxable hours. In a long-term perspective we know that the age mixture of the population will impose even more strain on the public finances. In view of this there is reason to believe that more and more measures will be introduced with the inclination to make the transition from school to work both shorter and easier. Vocational education will most probably be of great importance in this strategy. And with more vocational education there will be less strain on ALMP, and more space for mobility oriented and growth enhancing measures.

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