

The Economy Report, april 2016

- ON SWEDISH MUNICIPAL AND COUNTY COUNCIL FINANCES



Swedish Association
of Local Authorities
and Regions

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Foreword

The Economy Report illustrates the financial situation and conditions of county councils and municipalities and the development of the Swedish economy over the next few years. It is published twice yearly by the Swedish Association of Local Authorities and Regions (SALAR). The calculations in this issue extend to 2019.

In this spring's report we can conclude that the financial situation in the local government sector continues to be troubling. Many municipalities and county councils are grappling with deficits and severe cost pressure. One current issue given a great deal of scope in this report is the challenges to the local government sector resulting from the large volume of migration. The most recent population forecast from Statistics Sweden also shows a rising number of older people and schoolchildren in the Swedish population, in addition to large-scale migration.

This is an abridged version of the report. It contains the Summary and the chapter on More new arrivals (see Contents on page 2), as well as the Annex. It has been written by staff at the SALAR Section for Economic Analysis and has not been considered at political level within the Association. The persons who can reply to questions are given on the inside cover page. Other SALAR staff have also contributed facts and valuable comments. The translation is by Ian MacArthur, following slight revisions by Elisabet Jonsson. We are very grateful to the municipalities and county councils that have contributed basic data to our report.

Stockholm, September 2016

Annika Wallenskog
Section for Economic Analysis

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Summary

Considerable demographic changes in 2016–2019 will put great strain on municipalities and county councils, in terms of both finances and services. The number of inhabitants in Sweden is expected to rise by about 590,000, with people born abroad accounting for 70 percent of the increase. This will take place alongside a rapid increase in the number of older people and the number of children of school age. The upward pressure on costs is therefore expected to be particularly strong during the period.

Temporary relief in 2016–2017

After a very strong upturn in 2015, the economy is expected to grow slightly more slowly in 2016 and 2017. GDP is expected to grow by 3 per cent per year, which is still stronger than in many other countries. The labour market will continue to boom up until the middle of 2016. In 2017 the economy will strengthen further and the development of the labour market will be strong. When employment growth picks up, tax revenue rise, growing by about 2 per cent per year in real terms. Along with considerable additional funding from central government, this will offer temporary relief for the finances of municipalities and county councils.

Lower growth in 2018–2019

The situation looks much worse in subsequent years. GDP growth slows down and employment is expected to show a much weaker rise, in line with the development of potential hours. This will lead to weaker tax base growth. Additional resources will therefore be needed by municipalities and county councils, leading to a great risk of strong increases in local tax rates in 2018–2019.

There is also reason to review the provision of central government grants to the local government sector. In a letter to the Ministry of Finance the Swedish Association of Local Authorities and Regions (SALAR) has pointed out that the large number of targeted grants is driving costs and that general government grants are therefore to be preferred.

Central government costs are being taken over by municipalities

At the moment central government has high costs for dealing with the large number of asylum seekers, which totalled 163,000 in 2015, including 70,000 children. The expected decrease in the number of asylum seekers will relieve the pressure on central government costs. As asylum seekers are granted residence permits, a large part of this responsibility shifts to municipalities and county councils, which therefore have to take on a greater financial burden as the central government grants end.

The refugee situation, a current challenge

Although it is central government that is responsible for financing reception during the asylum period, the large number of asylum seekers is already a major challenge from a services perspective for municipalities and county councils. They are responsible right from the start for schooling; investigation and accommodation under the Social Services Act; health care; and other welfare services. At present there are shortages of housing, staff, school premises and other services premises as well as in other areas. The shortage of social workers, teachers and dental care professionals is particularly great. The National Board of Health and Welfare [Socialstyrelsen] is also reporting increased workloads in primary health care, child health care, psychiatry, dental care and acute health care. In the long term the shortage of interpreters may lead to patient safety problems.

Great uncertainty about future cost growth

There is great uncertainty about the future financial impacts of asylum and refugee reception. On the basis of information currently available, we expect a very strong aggregate increase in costs in municipalities for 2016, about 9 per cent in current prices. Part of the explanation is that municipalities are forced to opt for expensive solutions such as overtime pay, using staffing agencies, expensive accommodation for unaccompanied minors, etc.

Looking ahead, there is great uncertainty about the number of asylum seekers and refugees and about finding housing, solving establishment on the labour market and finding staff who can work in welfare services, not least schools.

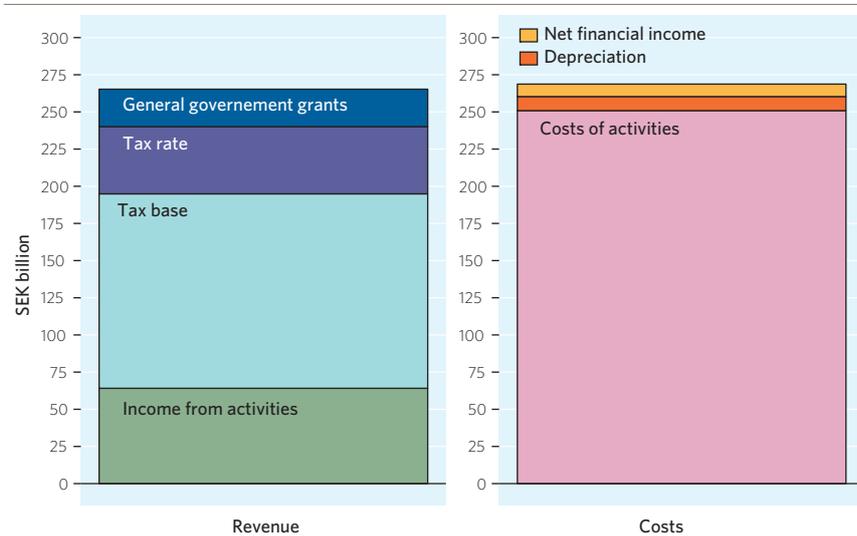
We have done a special analysis of how refugee immigration may affect health care costs. The calculation is based on the equalisation system's analysis of costs for different socio-economic groups. It shows some additional cost for refugees born outside Europe in most age groups. This indicates that our calculations lead to an underestimate of future costs. However the average cost of new inhabitants is lower now since they are younger on average.

Imbalance between revenue and costs in the local government sector

The financial calculation for the local government sector is summarised in figure 1. The sector's gross costs for services are expected to increase by SEK 250 billion in 2016–2019. A considerable part of these costs is covered by revenue for services, including various charges and targeted government grants. Targeted grants for refugee reception account for a large part of the increase in the period. Then there is also other additional central government funding; the most recent additional funding announced being a supplement of SEK 10 billion. Our calculation assumes that general government grants will increase by 2 per cent per year in real terms in 2018–2019. Overall, this means that general government grants will increase by SEK 25 billion in the period according to our calculation. However, the most important income

source is tax revenue. But tax base growth is not enough to maintain net income at a relatively unchanged level. According to our calculations, there is a need for tax increases of about 1.82 percentage points or for other measures corresponding to SEK 45 billion.

Diagram 1 • Total change in local government sector costs and revenue 2016–2019
SEK billion

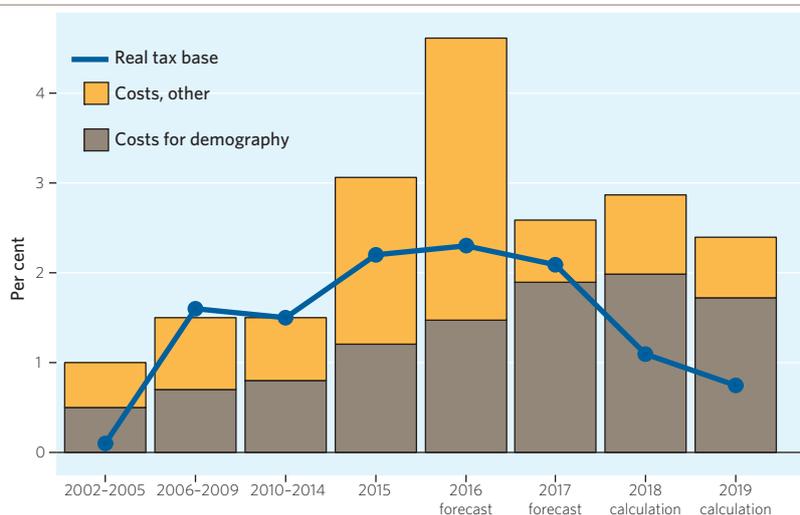


A gap of SEK 70 billion between revenue and costs opens up in 2016–2019. In the calculation this is covered by increased revenue in the form of higher government grants (SEK 15 billion over and above the SEK 10 billion announced) and a tax rate increase of 1.82 percentage points (SEK 45 billion).

Source: Swedish Association of Local Authorities and Regions.

It may be asked what the sharp cost increases are due to and whether they must be that sharp. Figure 2 shows the growth of costs in constant prices. In 2015–2016 costs increase much faster than in previous years. Our calculation assumes a trend break in 2017 and that cost growth will moderate 2017–2019.

Diagram 2 • Growth of costs and tax base, average per year in constant prices
Per cent



The local government sector’s costs increase sharply in 2015–2016. It is assumed that this growth rate will decrease in the coming years, but tax base growth is also expected to be lower, especially in 2018 and 2019. This is expected to place great strain on local government finances. The figure also shows that the tax base is expected to grow more slowly than costs due to demography factors in 2018 and 2019.

Source: Swedish Association of Local Authorities and Regions.

The figure also shows that while there used to be a balance between the rate of growth of the tax base and of costs in 2006–2014, since then there has been an imbalance. The stronger economic situation in 2015–2016 results in strong tax base growth, but costs increase even faster. It is assumed that thereafter the Swedish economy will return to a normal situation in terms of resource

utilisation, resulting in much weaker tax base growth, while the demographic pressure will increase.

What are the cost increases due to?

The increase in costs on account of demographic change is due, as described above, to the population growth in combination with a higher share of older people and of schoolchildren. The remainder of the cost increase in 2015 and 2016 is mainly due to costs associated with asylum and refugee reception. But for the other years it is harder to explain or, at any rate, to put in figures. It includes both higher ambitions and lack of efficiency.

Cost growth in in the health care

The chapter »County council finances« (not translated) takes an in-depth look at cost growth in health care. Quality has improved and, ultimately, this is seen in the significant increase in life expectancy in Sweden. The improvements are clearest in cardiovascular diseases where heart attacks are the most common cause of death. Health care interventions have contributed to the fall in both new cases and mortality. There are similar examples in several other areas, for instance stroke. Another feature of this quality development is the treating of new conditions, for example through new pharmaceuticals for hepatitis C infections.

At the same time there is greater awareness of inefficiencies in health care. Staff numbers are increasing rapidly while production does not appear to be increasing to an equivalent degree. Work on breaking the cost trend has been intensified. For instance, comparisons between county councils and between hospitals are expected to lead to better production and capacity planning. In the longer term other methods are also required, such as new technology to improve preventive work and the care of people with chronic diseases.

Uncertainties in the calculations

It should be stressed that the calculations in this report contain many uncertainties:

- The development of refugee immigration depends on factors that are hard to forecast, such as sequences of events outside Sweden, political decisions and what effects they have.
- It is not certain how well integration will succeed for the people granted residence permits, and this is of great importance for the development of the economy, staff provision and so on.
- The tax increases we assume in 2018–2019 will considerably weaken the financial situation of households. Their disposable income decreases, calculated per inhabitant during the years covered by the calculation, which is serious in itself. But it also means that the calculation concerning continued cost growth in the local government sector can be questioned. Is it possible to increase costs and raise taxes so much that households' purchasing power is weakened?
- Will municipalities and county councils be able to break the trend of sharp cost increases?
- Our calculations assume that, for each age cohort, the new inhabitants have the same costs as the present population.

More new arrivals – opportunities and challenges but also many uncertainties

An extremely large number of asylum seekers came to Sweden in 2015, and this is presenting municipalities and county councils with major challenges. This chapter provides an overview of the present situation and what can be expected in the future. However, it is hard to assess exactly how the municipal and county council services and finances will be affected in the next few years since there are a great many uncertainties about refugee reception in the future. One quite crucial factor in the long term is the rate at which new arrivals start working. A quicker path to jobs demands major investment in education and training and fresh thinking about education and training, the labour market and housing issues as well as good collaboration between all the parties involved.

Refugee immigration affects demography and the labour market

There is great uncertainty in the forecasts for the number of asylum seekers, and this also results in great uncertainty concerning the scale of reception in the municipalities over the next few years.

Great uncertainty surrounding asylum and refugee reception after 2015

In 2015, 163,000 people applied for asylum in Sweden; this was twice as many as in 2014 and far above the level that had applied after the major immigration from the Balkan countries in the 1990s. As most of the asylum seekers who came in the autumn are still waiting to have their application examined, there has still not been time for them to be seen in population statistics since they are only registered as inhabitants when they have been granted permits.

Terms and division of responsibilities between central government and the local government sector

Asylum seeker is a person who is in Sweden and is applying for protection (asylum). Their application is dealt with by the Swedish Migration Agency [Migrationsverket] and a refusal can be appealed to the Migration Court of Appeal. Central government has to meet all costs during the asylum-seeking period. It has to pay compensation for the tasks assigned to municipalities and county councils.

Quota refugee is a person who has been offered resettlement in Sweden through UNHCR, the UN refugee body. The Swedish Migration Agency examines whether the grounds for refugee status or protection are in line with the Aliens Act. In recent years the Swedish refugee quota has been about 1,900 people. This quota is decided by the Government.

A **refugee** or **new arrival** is a person who has applied for asylum and been granted a residence permit in Sweden on grounds of refugee status. In this text the terms also include people who have been granted residence permits on the basis of other grounds for protection. The municipalities receive a one-time payment from central government that is intended to cover certain specific municipal costs. Refugees have the same rights as others to local government services, and this is paid for by municipalities and county councils.

Refugees received, or refugees received in a municipality, are refugees (asylum seekers who have been granted residence permits, including quota refugees) and family members of refugees who have settled in a municipality.

Unaccompanied minors are persons under 18 years of age who are coming without any parent or other custodian and who are seeking asylum. The municipalities are responsible for investigations, care and accommodation under the Social Services Act, even during the asylum-seeking period. The municipalities receive compensation from central government for these costs.

The Government has announced a proposal for a temporary law as of 20 July this year under which refugees and persons eligible for subsidiary protection can be granted **temporary residence permits**. The proposal also limits the right to family member immigration. The proposal is for the law to apply for three years.

Division of responsibility between central government and the local government sector for asylum and refugee reception

Regulatory framework and compensation system Central government has the overall and financial responsibility for asylum and refugee reception. The Reception of Asylum Seekers Act (1994:137) and the Introduction Activities Act (2010:197) regulate the division of responsibility between central government and the local government sector. Ordinances (regulations adopted by the Go-

vernment) regulate compensation payments to municipalities and county councils. The Swedish Migration Agency administers the compensation payments.

Accommodation The Swedish Migration Agency is responsible for offering accommodation at accommodation centres to all asylum seekers. Asylum seekers can also choose to arrange their own accommodation. About two out of three asylum seekers choose accommodation at accommodation centres during their asylum-seeking period. In recent years about five out of six new arrivals with residence permits have made their own arrangements to settle in a municipality. One out of six has received assistance arranging accommodation from a municipality after an allocation by the Swedish Public Employment Service [Arbetsförmedlingen] or the Swedish Migration Agency.

Schools and education The municipality has to offer preschool and school education to all asylum seekers and newly arrived children on the same basis as to other children staying in the municipality. Everyone who is under the age of 18 is entitled to apply to upper secondary school. The municipality is also responsible for Swedish for immigrants (SFI), adult education and civic orientation for new arrivals granted residence permits.

Health care All asylum seekers have to be offered health examinations and care that cannot be postponed. The county councils have to offer child asylum seekers health care on the same terms as all other children resident in the county council where they are seeking health care.

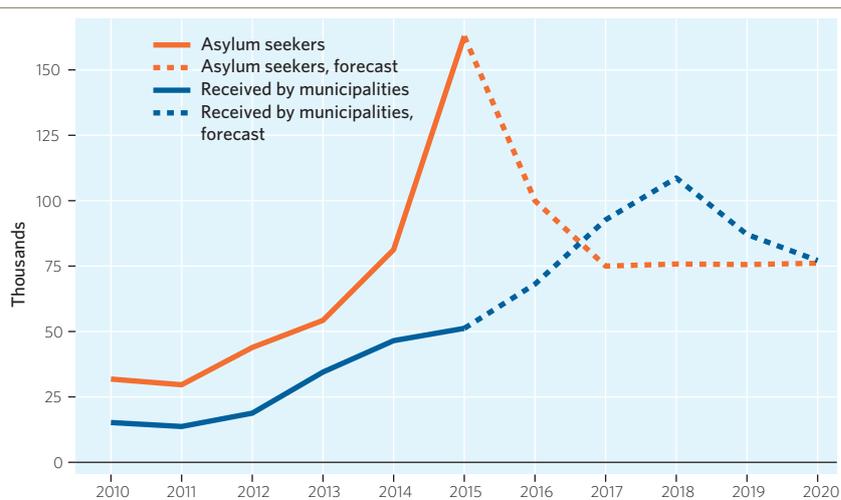
Organised activities and introduction activities The Swedish Migration Agency has to offer organised activities to the persons who are registered in the reception system for asylum seekers. The Swedish Public Employment Service coordinates introduction activities for new arrivals with residence permits and is responsible for arranging various employment preparation activities. The introduction activities continue for two years.

Maintenance and social interventions The Swedish Migration Agency is responsible for benefits to individuals registered in the reception system for asylum seekers. They cannot receive income support from the municipality. After being granted a residence permit new arrivals who take part in introduction activities receive an introduction benefit decided by the Swedish Public Employment Service. New arrivals with residence permits may be entitled to income support in the »gap« before they are paid introduction benefit and when their introduction benefit is not sufficient or when their introduction plan ends after 24 months. The municipality is also responsible for other interventions under the Social Services Act for new arrivals in the same way as it is for other people staying in the municipality.

Out of the asylum seekers in 2015, 70,400 were children under 18 and half of them, 35,400, were unaccompanied minors, which is five times more than in 2014. A large majority of the unaccompanied minors, 92 per cent, were boys, and two thirds had Afghan citizenship.

Diagram 3 • Development of asylum and refugee reception 2010–2020

Thousands



Source: Swedish Migration Agency.

As more and more people are granted residence permits, the number of refugees received by a municipality is increasing. Refugee reception is expected to total 68,000 people in 2016 and to then increase to 109,000 people in 2018 (Swedish Migration Agency, February 2016).

Out of the 173,000 people now registered in the reception system at the Swedish Migration Agency around 30 per cent are from Syria, around 24 per cent from Afghanistan and around 11 per cent from Iraq.

The Swedish Migration Agency's forecast for asylum reception in 2016 is uncertain. It sets out three alternatives, where the lowest is 70,000 and the highest 140,000 asylum seekers (including 12,000 and 27,000 unaccompanied minors respectively). A new forecast is being published on 27 April. This great uncertainty requires a high level of preparedness, not least for the municipalities that are »arrival municipalities« for unaccompanied minors, such as Malmö and Gothenburg.

In 2015 refugee reception in the municipalities covered more than 51,000 people, just under 4,000 of whom were unaccompanied minors. Out of all the refugees received 92 per cent were from Syria, Eritrea, Somalia or Afghanistan or were stateless.

In addition to the volume of asylum reception and the share of asylum seekers being granted residence permits, the scale of refugee reception also depends on the processing time for asylum applications and the scale of family member immigration. The above forecast of reception in municipalities in the next few years is based on the numbers now registered as asylum seekers and current processing times at the Swedish Migration Agency. The further forward the period covered, the more uncertain the forecast is. Particular uncertainties apply to the effect of the temporary residence permits, the possibilities of family reunification, the unaccompanied minors (who almost immediately become the responsibility of the municipalities) and the share of asylum seekers granted residence permits.

Work is under way in the Swedish Migration Agency to reduce processing times. The Agency has been given increased resources and is reviewing its organisation and routines for different groups of asylum seekers. If this work has the desired result, it will be possible to sharply reduce processing times, which is positive for the asylum seekers. But this also means that refugee reception in the municipalities will increase much faster than stated in the above forecast, and that there will already be a strong increase in the number received in 2016. This makes large-scale and immediate demands on the municipalities in areas including the arrangement of housing.

New forecast from the Swedish Migration Agency

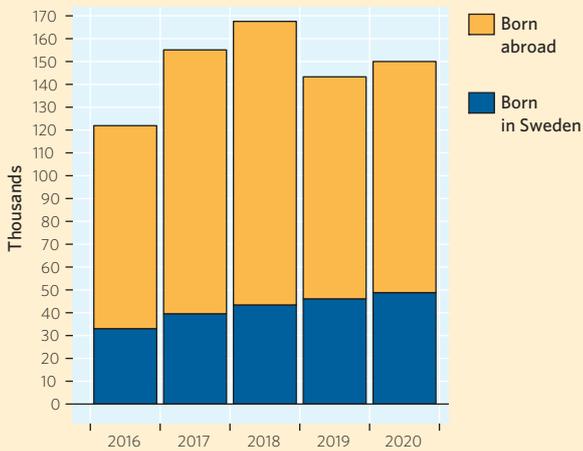
The Swedish Migration Agency is publishing a new forecast of asylum and refugee reception on 27 April, but it has not been possible to take account of it in this report.

The population is increasing – as is the share born abroad

Sweden's population is expected to increase by about 590,000, or 6 per cent, up until 2019. The share of people born abroad is expected to increase from 17 to 20 per cent. People born abroad account for a large part of the forecast increase.

Diagram 4 • Annual population change 2016–2020

Thousands



Source: Statistics Sweden's population forecast, April 2016.

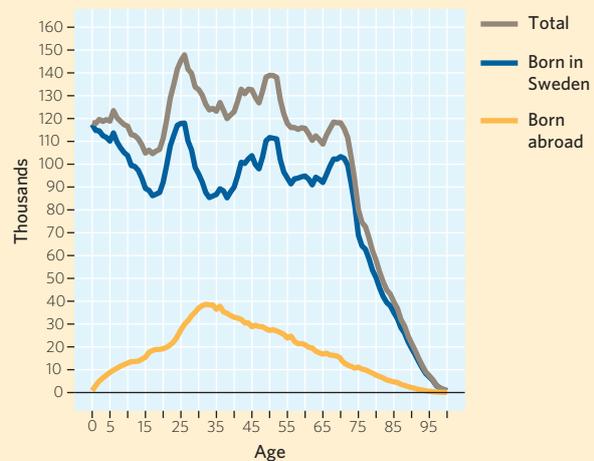
However, the forecast is uncertain. The greatest uncertainty is in the number of asylum seekers and to what extent asylum seekers will be granted residence permits. This depends, in turn, on developments outside Sweden and the effects of political decisions both in Sweden and at EU level. Statistics Sweden has based its forecast on the Swedish Migration Agency's main alternative, which is a combination of the effects of various scenarios.

Municipal services are also affected by asylum seekers and people whose asylum application has been refused. They are not counted in the population statistics.

There are significant differences in age structure between people born in Sweden and people born abroad. The age structure for people born in Sweden is characterised by strong inter-generational variation in which the generations born in the 1940s, 1960s and 1990s are large. This variation has a strong impact on certain municipal services, such as upper secondary school, health care and elderly care. The age structure among people born abroad is more of a pyramid. But the average age of the population born abroad is slightly higher, 42 years compared with 41 years for people born in Sweden. This is, however, because people who came earlier have a high average age; for example, inhabitants born in other Nordic countries have an average age of 58 years.

Diagram 5 • Number of inhabitants of different ages 2016

Thousands



Source: Statistics Sweden's population forecast, April 2016.

But the new arrivals have a lower average age. The sharp expected increase in the number of inhabitants of upper secondary age, 16–19 years, is particularly clear; here there is an increase both in the number born in Sweden and in the number born abroad.

Labour market entry of new arrivals needs to be accelerated

Many people born abroad, and especially people born in countries with a low HDI¹ have difficulty entering the Swedish labour market. The proportion included in the labour force is much lower than for other groups and their unemployment rate is much higher. For those who nevertheless get established on the labour market, doing so generally takes a long time. Table 1 (on page 11) shows what labour force participation and unemployment our assumptions lead to for certain groups in 2019. A third of the refugees who have been in Sweden for up to two years are members of the labour force (i.e. are working or looking for work); and a third of them are unemployed. Labour force participation improves with a longer period of stay. But there are still big differences, even for those who have been in the country for more than eight years.

There are, of course, various reasons for the difficulties in entering the labour market, for example a low level of education, language barriers and poor networks in Swedish society. Some reasons are easier to deal with than others, but the situation gets more complicated when a very large number of people

1. Human Development index (HDI) is the UN measure of the development level of countries.

come in a short period of time. This applies not only to those who are already of working age, but also to the young people who are in need of relevant education or training.

Table 1 • Labour force participation and unemployment for different groups of refugees and the rest of the population 2019

Percentage of the population and labour force

Group	Relative participation rate	Relative unemployment
Refugees 15–74 years, 1–2 years in Sweden	33.5	36.9
Refugees 15–74 years, 3–4 years in Sweden	45.3	27.7
Refugees 15–74 years, 5–6 years in Sweden	55.1	17.5
Refugees 15–74 years, 7–8 years in Sweden	61.6	12.6
Refugees 15–24 years, >8 years in Sweden	37.6	43.0
Refugees 25–54 years, >8 years in Sweden	79.8	13.1
Refugees 55–74 years, >8 years in Sweden	56.8	16.7
Total refugees	56.6	20.1
Rest of the population	73.1	4.8
Total	70.8	6.5

Sources: Statistics Sweden and Swedish Association of Local Authorities and Regions.

Establishment on the labour market important for the tax base

The degree to which establishment on the labour market succeeds is quite crucial to the long-term consequences of refugee immigration. With successful establishment, new arrivals can provide a needed supplement of a relatively young labour force that can contribute to a growing tax base and also facilitate recruitment and skills provision in services that currently have staff shortages. In contrast, weak establishment will result in higher costs for supporting the people who are outside the labour market.

Our calculations in this report are based on assumptions that establishment on the labour market in the future will look like it does today. However, a numerical example can nevertheless clarify the importance of better integration. Let us assume that labour force participation increases by a quarter and that unemployment is halved for refugees with a period of stay of up to eight years, and that those who have been here for at least nine years reach the same figures as non-refugees. Employment will then be about 3.5 per cent higher. We assume in our example that pay for this group is 20 per cent lower. Then we get the result that the tax base up to 2019 can increase by the equivalent of 0.60 percentage points in aggregate local government tax, which can be related to the calculations presented in later chapters.

Temporary residence permits may steer towards less qualified work

There is some uncertainty about the effects of the proposal to temporarily restrict the possibilities of being granted residence permits in Sweden, in part through temporary residence permits and a rule about employment as grounds for a permanent residence permit. Several bodies consulted have, for example, pointed out that the proposal may reduce the possibilities of making use of the skills of new arrivals as people with advanced training choose a less qualified job. Another effect can be increased trade in employment contracts. There is also uncertainty as to what the position will be during the period when people are waiting for a decision about extending a residence permit regarding, for example, their right to introduction activities and social insurance benefits.

Poor establishment leads to more need for municipal financial assistance

During the asylum-seeking period there should generally not be payments of municipal financial assistance since asylum seekers receive a daily allowance from the Swedish Migration Agency. When residence permits are granted, adults are to be covered by the Swedish Public Employment Service's [Arbetsförmedlingen] introduction programme for two years. During the period covered by introduction activities, an introduction benefit is paid by the Swedish Social Insurance Agency [Försäkringskassan]. This means that there should not normally be any need of financial assistance during that period either.

But when a residence permit has been granted and the daily allowance to asylum seekers ends, there is normally a time gap before introduction benefit can be paid. This gap used to last for about a month but is now much longer. Then the only form of support available to many people is municipal financial assistance. This swallows large financial and staff resources in municipalities. In addition, the situation is so institutionalised that there is a standard central government payment to the municipalities of about SEK 5,000 per person (varies depending on the age and accommodation situation of the individuals concerned) to cover these costs. But there are many signs that the municipalities' actual costs are much higher than that. After the gap and during introduction it is also fairly common for new arrivals to need additional income in the form of municipal financial assistance on top of their introduction benefit.

The factor that is of most importance for the development of financial assistance is how quickly the new arrivals enter the labour market. Out of those who started their introduction programme in 2011 more than 50 per cent received financial assistance in 2014, a year when the great majority ought to have completed their introduction activities.²

The number of participants in the introduction programme has increased steeply and will continue to increase in the next few years – from 48,000 in 2015 to 112,000 in 2019 according to the forecast of the Swedish Public Employment Service. At the same time, developments to date indicate that the municipalities' costs for financial assistance will increase on the completion of the introduction programme. An introduction process that is too short and functions badly will therefore have a strong impact on municipalities' costs for financial assistance.

Settlement and the housing situation crucial to integration

Both asylum seekers and refugees, including unaccompanied minors, are spread fairly unevenly across the country. The Government's ambition is for the distribution of unaccompanied minors and new arrivals received by municipalities to be more even, and this is assumed to enhance the possibilities of integration. But there are problems, not least the shortage of housing. The question is, first, how, in purely practical terms, to go about bringing forward housing at short notice and, second, what the financial conditions for this should be.

Self-selected settlement counters a more even distribution

The ten municipalities that had the largest refugee reception in relation to their own population in 2014 received 70 times more refugees than the ten municipalities that had the smallest. This inequality is reinforced by the fact that the Swedish Migration Agency does not follow an explicit even-distribution principle when contracting asylum-seeker accommodation.

2. Calculation based on the statistics of the National Board of Health and Welfare and the Swedish Public Employment Service.

Rules concerning distribution and settlement etc

The Reception for Settlement Act (Swedish Code of Statutes 2016:38) entered into force on 1 March 2016. Under this Act all municipalities are obliged to receive new arrivals for settlement as allocated by the Swedish Migration Agency and the Swedish Public Employment Service. The number of new arrivals to be covered by allocations to municipalities in 2016 is to be 21,700 persons, and they are to be distributed according to specific numerical allocations for municipalities. The Government has decided on county and municipal allocations on the basis of information from the Swedish Migration Agency, the Swedish Public Employment Service and the county administrative boards. These allocations are based on a quantification of the municipalities' situation for reception taking account of the labour market, the size of their population, the volume of asylum seekers in the municipality and the overall reception of unaccompanied minors and new arrivals. The distribution also takes account of self-selected settlement*, which has historically been the absolutely largest part of municipal reception of refugees.

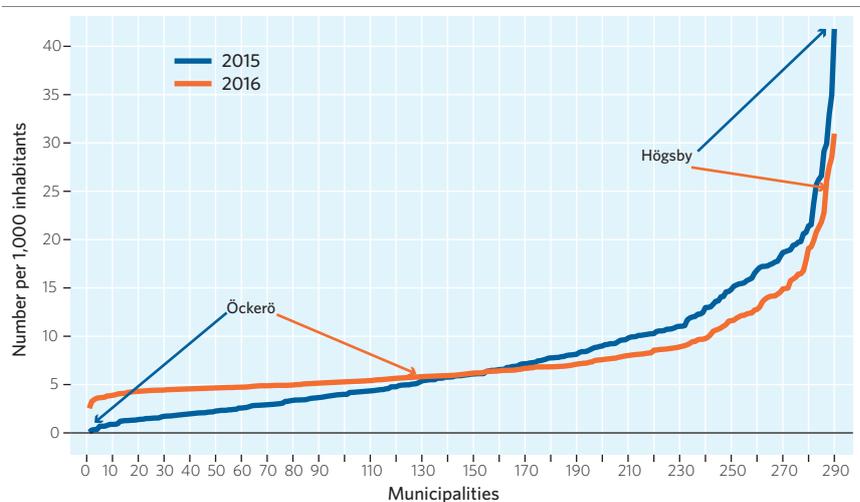
As of 1 April 2016 there is also a **new allocation model for unaccompanied minors** under which every municipality is allocated a certain share of the country's reception, irrespective of how big it is. These shares will be recalculated each year, on the basis of new statistics. Compliance, i.e. what part of the municipality's share is filled, will be measured continuously and include all allocations as of 1 January 2016. The Swedish Migration Agency sets these shares, but the county administrative boards are able to express views on the distribution within their county. But the allocations will also continue to take account of the reception agreements that municipalities have with central government. If there are unused places, the Swedish Migration Agency will give them priority when making these allocations.

**Asylum seekers can arrange their own accommodation as an alternative to the Swedish Migration Agency's accommodation centres. People who have been granted a residence permit can also arrange their accommodation by themselves, known as self-selected settlement.*

Put simply, the meaning of the new Reception for Settlement Act can be said to be that municipalities that have a weak labour market and/or many asylum seekers and self-settled refugees are given a low number of allocations in relation to their population. Some municipalities will not be given any allocations at all in 2016. Other municipalities with historically small reception fi-

Diagram 6 • Refugee reception in 2015 and forecast 2016, per municipality and 1,000 inhabitants, including self-selected settlement, sorted from smallest to largest reception

Persons received per 1,000 inhabitants



Sources: Swedish Migration Agency and Swedish Association of Local Authorities and Regions.

As a result of the new Reception for Settlement Act the differences in the distribution of refugee reception between municipalities will be slightly smaller, but since two thirds arrange their own housing for settlement there will still be very large differences.

Note that the total refugee reception is expected to be around 30 per cent larger in 2016 than in 2015, so the levels of the two curves in figure 6 are not directly comparable. The purpose is to illustrate how the spread decreases between these two years.

figures that are in a labour market area with a relatively good situation will receive more allocations. The maximum number of allocations corresponds to 7 new arrivals per 1,000 inhabitants.

It is, however, estimated that around two-thirds of refugees make their own housing for settlement arrangements. In 2015 that figure was 86 per cent. If the distribution follows the municipal allocation figures and with the estimated volume of self-selected settlement, reception will be distributed more evenly in 2016 than in 2015. Yet, self-selected settlement means that it is largely the same municipalities that are expected to have a large reception of refugees in 2016 as in 2015.

The new distribution model for allocations of unaccompanied minors results in a distribution between municipalities that is similar to the previous distribution. The country's smallest municipalities will be given a much larger share, in terms of their population, than the large municipalities.

New housing is needed!

The large volume of asylum seeker and refugee reception in recent years has made the housing shortage an issue for the whole of the country. In addition to the problems that impede housing construction in growth areas, there is also going to be a housing shortage in areas that used to be more likely to be known for a surplus of housing. The financial incentives for new construction in these areas are probably weak.

According to the forecast made by the National Board of Housing, Building and Planning in autumn 2015 of the need for housing in the coming years³, the need up until 2025 is estimated at around 700,000 new dwellings.⁴ But the assessment of the Board is that the production of new housing will not be that high since it is also affected by household finances, the actions of municipalities and, not least, the drivers of and opportunities for construction companies.

The Reception for Settlement Act means that the municipalities will now be obliged to offer housing to the new arrivals. The Act does not take any account of the municipality's housing situation at the outset – it is actually more the other way round, since the areas that have a good labour market, which are also given a larger number of allocations in relative terms, are mainly the areas in which the housing shortage is greatest.

It is still unclear how the Reception for Settlement Act will be handled in a Sweden hit by a housing crisis. Probably many different solutions will be applied. New construction, priority in housing queues, temporary modular houses, »Attefallshus« (small detached houses that can be built without permit), conversion of premises, lodging in private households and purchases of existing owner-occupied and cooperative homes are examples of ways of bringing forward housing. The risks that can be noted are equity aspects, impacts on local housing markets, etc. Another risk is if some municipalities invest in housing and other properties, where those who move in only stay for a few years on account of difficulties in getting an education and employment. In these places there may instead be a surplus of housing.

One way of trying to increase housing construction is to try to bring down the costs of building. SALAR has taken the initiative for the procurement of a framework agreement for low-price housing that could be used by all municipalities as of 2017. This agreement would supplement housing provided by existing market participants in terms of industrially produced multi-unit housing. According to a survey conducted by SALAR there is great interest among municipalities in using this agreement. Quite a number of the muni-

3. Report 2015:18, National Board of Housing, Building and Planning. The needs analysis is based on older, lower forecasts of asylum-seeker reception than the outcome for 2015.

4. Here account has also been taken of the initial imbalance.

cipalities interested have planned land but there are also those that do not, and in those cases temporary building permits may be a possibility.

Up to now the housing policy talks, which include the seven parties in the Swedish Parliament [Riksdag], have dealt with financial and tax issues and also with issues concerning planning legislation. SALAR has expressed wishes about action to remove central government obstacles to housing construction, to make it easier for municipalities with weak labour markets to build new housing, to increase mobility in the housing market and to strengthen housing demand from groups with less ability to pay.

The Government recently decided⁵ on the distribution of the »municipal bonus« of SEK 1.85 billion in 2016. 60 per cent of the government grant is to be distributed on the basis of the number of housing starts in a municipality in a twelve-month period in relation to the number of new arrivals who are registered in the municipality on a particular date. The remaining 40 per cent is weighted in relation to the number of housing starts, not in relation to registered new arrivals.

Great demands on health care, social care and schools – and on staff

The large number of asylum seekers and new arrivals has placed greater pressure on health care, social care and education in municipalities and county councils. This is to do, not least, with all the newly arrived children and young people needing schooling. In many cases unaccompanied minors also need accommodation and health care. One result is that other tasks have had to be given lower priority and another is that services have had difficulty coping with skills provision – mainly regarding teachers, social workers and dentists.

The situation in health care is strained but manageable

In March the National Board of Health and Welfare made an assessment of the situation in health care on account of the refugee situation. It found a higher workload in maternity care, child health care and child and youth psychiatry. In primary care, dental care and emergency health care the situation is strained but manageable. No county council has reported patient safety problems. But there is a shortage of interpreters, and this may impact on patient safety in the future.

According to the National Board of Health and Welfare, the smaller number of asylum seekers in the initial months of 2016 has contributed, in combination with new routines and organisational changes, to reductions in waiting times for health examinations, which normally vary between three and six months.

In other health care waiting times and the number of people waiting have not increased markedly.⁶ But the workload in health care is very uneven both within and between county councils. County councils with sparsely populated areas and small primary care units, in combination with large accommodation centres for asylum seekers, have had a considerably larger workload than densely populated county councils with large primary care units. The National Board of Health and Welfare makes the assessment that the increased need for health care interventions for asylum seekers and refugees will persist in both the medium and the long term. Services that are estimated to be affected to a greater extent are psychiatric and psychological care, habilitation and rehabilitation, orthopaedics and welfare worker interventions.

The refugee situation – a status report

The Swedish Civil Contingencies Agency (MSB) has used questionnaires to conduct regular surveys via the county administrative boards of how the refugee situation has affected local government services in each county. The latest survey related to weeks 3–6 this year.

In four out of 21 counties the refugee situation was considered to have a substantial impact on health care. In the others the impact is moderate.

15 out of 21 county administrative boards assessed the situation in the social services as serious to critical in more than half the municipalities in their county. All counties reported that the situation had led to other services among the responsibilities of the social services being given lower priority; examples being exercise of public authority and other placement matters, and that there is a great shortage of premises for accommodation.

13 out of 21 county administrative boards assessed that the refugee situation has had a considerable or serious impact on schooling and education in more than half the municipalities in their county.

Source: <https://www.msb.se/sv/Insats--beredskap/Pagaende-handelser-och-insatser/Flyktingsituationen/Lagesbild/>.

5. See The Government's press release from April 21, 2016, on the Government website: <http://www.regeringen.se/pressmeddelanden/2016/04/regeringen-ger-kommuner-byggbonus-for-bostadsbyggande/>

6. Waiting times in health care [Väntetider i vården], <http://www.vantetider.se/>.

Great needs of dental care and shortage of dental professionals

There are also differences between county councils regarding the workload in dental care. Several county councils have problems with skills provision in dental care.

In general, the dental health of new arrivals is much poorer than in the rest of the population, and this leads to greater needs, especially in dental care for children and young people, where the county councils have full responsibility. The shortage of interpreters means that visits to dental care take longer than they otherwise would. Increased demand can be noted for paedodontics, to which children with great needs of dental care, who cannot be treated in general dental care, are referred. Among adults there are also many people with acute needs of dental care and there will be a greater need in the future of both general and specialist dental care.

In certain county councils priorities may have to be set that involve longer check-up intervals, i.e. the time between two examinations, for healthy adults with a low risk of dental disease. Several county councils already have problems with skills provision and these problems can be expected to continue.

Shortage of social workers in the social services

The quintupling of the reception of unaccompanied minors in 2015 compared with the previous year has resulted in major problems for municipal social services.

According to the assessment⁷ made by the National Board of Health and Welfare, the social services have had considerable difficulties in handling the increase in the number of unaccompanied minors in autumn 2015. There are examples of investigations that have not been conducted carefully enough and of decisions that have not been followed up sufficiently. Other groups have had to be given lower priority when processing both cases about unaccompanied minors and other child and youth cases. To a varying degree municipalities have had difficulty complying with statutory requirements; for instance investigations of children's needs and of accommodation in which children are placed are not of sufficient quality and accommodation in which children are placed is not followed up. More than 60 municipalities have made statutory reports of irregularities to the Health and Social Care Inspectorate.

The situation in municipal chief guardian services is also strained, with difficulties recruiting and training people to be »custodians« of, for example, unaccompanied minors.

The situation of staff in the social services is also a critical area. Difficulties in recruiting competent staff have resulted in increased workloads, more people being on sick leave and, consequently, more people leaving their jobs.

There is great competition for and a great shortage of graduate social workers throughout the country (see the section »How much can immigration contribute...«). According to a SALAR questionnaire in January 2016⁸ almost all municipalities had difficulty recruiting experienced social workers, but there was also a shortage of newly qualified social workers. Another questionnaire survey shows that seven out of ten municipalities rely on staffing agencies to cover their need of graduate social workers⁹. Special action has been taken to recruit retirees and social work students to the social services.

In recent months the number of unaccompanied minors coming to Sweden has decreased sharply. The assessment of the National Board of Health and Welfare is that normal functioning can be restored in 2017 providing that the number of unaccompanied minors arriving in Sweden does not increase sharply again.

7. Status report on the work of the social services [Lägesbild av socialtjänstens arbete], National Board of Health and Welfare, February 2016.

8. The recruitment situation in the social services [Rekryteringsläget inom socialtjänsten], SALAR 2016.

9. Questionnaire survey conducted by the Swedish Association of Graduates (SSR), 10–19 November 2015.

Greater need of teachers and new schools

In November 2015 there were more than 70 000 asylum seekers and newly arrived children and young people aged 1–18 in Sweden.¹⁰ A third were aged 15–17 years, and a large proportion of them were unaccompanied minors. The proportion of boys was just over half overall, but was much higher in the older age groups. The distribution of asylum seeking and newly arrived children and young people between Swedish municipalities is uneven. In the 13–15 age group (senior level of compulsory school) they account for just over 5 per cent of the total population in the age group. In some municipalities the corresponding proportion is up to 40 per cent. In the 16–18 age group (upper secondary school) they account for about 8 per cent of the total population in the age group but in some municipalities their share is up to 50 per cent.

The municipalities have handled the situation by, for example, hiring more teachers, admitting more pupils to existing classes or starting new classes. According to the surveys conducted by the Swedish Civil Contingencies Agency there are queues to school services in several counties and pupils cannot be offered a place in school in the recommended time (one month). Upper secondary services are mentioned specifically as an area where the municipalities cannot offer everyone a place. A very few county administrative boards state that there are children in need of special support who risk not receiving the support they need. School health services are described by several county administrative boards as having heavy workloads since many children have had traumatic experiences. This requires well-developed cooperation between school services and county council services, especially child and youth psychiatry. The assessment of the Swedish Civil Contingencies Agency is that the situation will continue to be strained in school and preschool services and in Swedish for Immigrants (SFI). Even if the number of asylum seekers decreases, there is concern among municipalities that the pressure on school services will persist.

The poorer level of eligibility for upper secondary school at national level in recent years has been strongly affected by pupils who have immigrated after the age for starting school.¹¹ The average age of immigration has increased by two years (from seven years to nine years); and this means that, on average, pupils have a much shorter time to learn Swedish and become eligible for upper secondary school than in the past. Pupils are also increasingly coming from countries with a lower level of development (a trend that is continuing, see figure 7 on page 18) and have a mother tongue that differs more from Swedish than the mother tongue of previous generations of immigrants. Extra action and resources are needed according to the National Agency for Education to avoid a further decrease in the level of eligibility in coming years.

As the number of pupils has increased significantly recently, the need for teachers has also increased (see below). More teachers will need to be trained and recruited in order to cope with the increasing commitments in the area of education. Investments in new schools will also be required. As more teachers than before are instructing newly arrived pupils, investments in professional development are also needed.

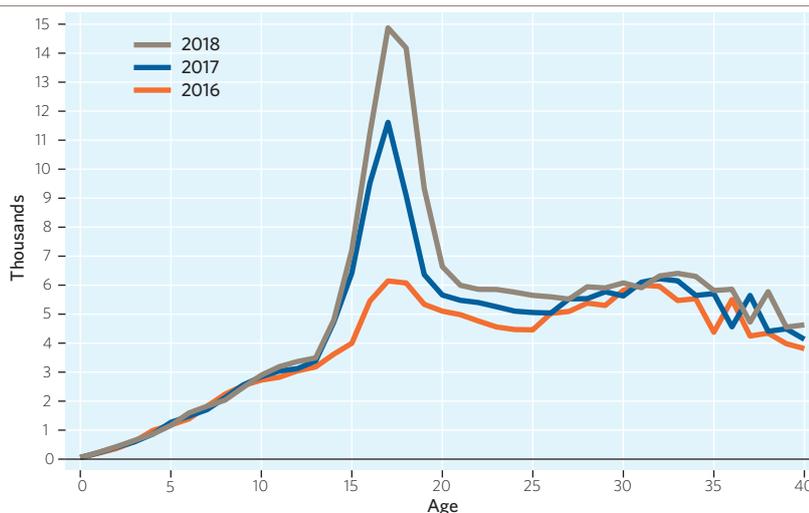
Large-scale needs of adult education in the future

SALAR's picture is that most municipalities – apart from some small municipalities with extensive refugee reception – can meet the need for adult education for new arrivals today. So far the situation has been manageable and it has been eased by, for example, the use of sub-contractors and retired teachers.

10. *New arrivals – current statistics November 2015* [Nyanlända – aktuell statistik november 2015], National Agency for Education's [Skolverket] Memorandum.

11. *The importance of immigration for school results* [Invandringens betydelse för skolresultaten], National Agency for Education 2016.

Diagram 7 • Number of immigrants of different ages in 2016–2018, born in countries with low HDI
Thousands



Source: Statistics Sweden.

The number of inhabitants in the 15–20 age group with a background in low-HDI countries is going to increase very strongly.

But there are signs that the situation is getting more strained. The shortage of teachers is becoming more and more noticeable. Agreements with sub-contractors are hampered by uncertainty about volume growth in the future. The situation regarding Swedish for immigrants (SFI) is much worse. Above all, it is difficult to get hold of teachers. Pay for SFI teachers is being driven up.

In the Swedish Civil Contingencies Agency's surveys several county administrative boards point out that the situation is likely to be more strained later on. This applies especially to SFI, as more and more residence permits are granted.

There is also some uncertainty about the right to SFI and education for people with temporary residence permits when they apply to have them extended.

The really big volume increases in adult education can be assumed to come when the current asylum seekers enter the introduction process. But uncertainties about volume growth are a big problem for the municipalities. According to a survey of 28 municipalities, corresponding to about a third of Sweden's population, recently carried out by SALAR, ten municipalities are preparing to expand their organisation by, for example, reinforcing guidance, hiring more teachers, developing forms of learning (more introductory courses, apprentices) and generally strengthening staffing. This involves expanded SFI, basic adult education and investing in adult vocational education programmes and other vocational training. The remaining municipalities are planning for a coming increase by, for example, increasing their collaboration with the Swedish Public Employment Service and with other municipalities.

How much can immigration contribute to solving the greater needs of staff in welfare services?

Up until 2023 an estimated 530,000 new staff need to be recruited to welfare services in the local government sector; this includes 150,000 in schools (including preschools) and 144,000 and 90,000 in social care and health care respectively.¹² So municipalities and county councils are facing recruitment challenges in the future.

12. Sweden's most important jobs are in welfare services – How do we respond to the recruitment challenge? [Sveriges Viktigaste jobb finns i välfärden – Hur möter vi rekryteringsutmaningen?], SALAR January 2015.

In 2015 the number of monthly paid staff in municipalities and county councils increased by 25,000, which corresponds to an average increase of 3 per cent. In the municipalities the number of social workers has increased by 1,500, housing support staff and treatment assistants by 2,600, compulsory school teachers by 1,900 and child carers by 240. In the county councils the number of assistant nurses has increased most, by 1,200, but the number of doctors has also increased by 700.¹³ To this must be added staff in services bought by municipalities and county councils, for example residential and care homes.

Today demand for staff is already higher than supply in many occupational categories. Net immigration might be able to help to increase the supply of labour, and with better matching in relation to labour market it can thereby help to cover the need for labour in this sector. One necessary step is then to chart the skills of new arrivals right away and to supplement them with the necessary proficiencies.

Increasing recruitment problems in the welfare sector

According to the Swedish Public Employment Service there are ever greater recruitment problems in the welfare sector.¹⁴ The greatest recruitment difficulties are in health care, especially nurses with specialist training but also doctors and midwives. The recruitment problems have also increased in all parts of the education area, especially preschool teachers and special needs teachers but also upper secondary teachers in vocational subjects, some compulsory school teachers and recreation instructors. In both health care and the education area the increase in refugee reception has resulted in greater needs. It has also led to a sharp increase in the workload of the social services as described above. In the social area there is, above all, a great shortage of social workers. Demand also exceeds supply as regards needs assessment specialists and welfare workers.

Fast-tracking can make important contributions to skills provision

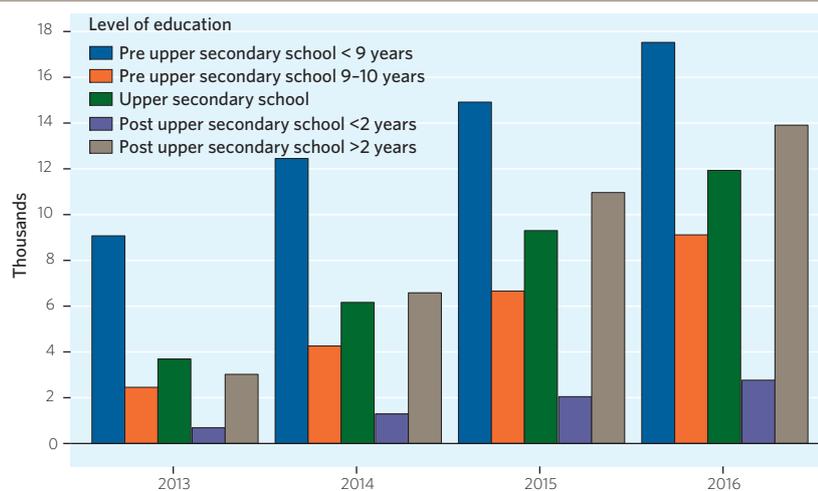
Employers are able to influence their recruitment and skills needs. This can, for example, involve changing and developing their ways of working, organisation and staffing, making more effective use of the skills of various occupational groups, letting more employees work at high ages and marketing their jobs to new groups. Making use of the skills of new arrivals in a good way and establishing fast tracks for people who already have training and experience can be yet another way of coping with skills provision in the future. Fast tracks for new arrivals are intended to shorten the pathways and increase the efficiency of the processes that help enable new arrivals with an occupational and educational background to start working in Sweden.

There is great potential among the refugees in the introduction programme today. About a quarter of these 55,000 people have a post-secondary education of more than two years. In February 2016 they included, for example, 2,112 teachers, 357 doctors, 170 nurses, 256 dentists and 89 social workers and welfare workers. The number of people in the introduction programme can be assumed to increase in the future and this will probably mean an increase in the number of people with education and experience in professions in the welfare sector.

13. SALAR's November statistics.

14. *Where are the jobs? [Var finns jobben?]*, the Swedish Public Employment Service, February 2016.

Diagram 8 • Educational level of participants in the introduction programme
Thousands



In 2016 there are about 14,000 people with a post-secondary education of more than two years in the introduction programme.

Source: Sweden's Public Employment Agency.

The compensation systems are complicated and the money comes too late...

At present there are more than thirty forms of central government compensation to municipalities and county councils in the area of migration and integration. In most cases, municipalities and county councils have to apply for the compensation. Identifying and managing these forms is difficult and resource-consuming. Some forms of compensation are paid in advance on an automatic basis, while others are paid in arrears, and based on an application. Some forms of compensation are predictable, while others are subject to the availability of funding or to an assessment by the Swedish Migration Agency.

In 2015 the Swedish Migration Agency paid more than SEK 18 billion to municipalities and county councils for action for asylum seekers and refugees – an increase of 50 per cent on 2014. According to the Swedish Migration Agency's annual reports it had debts of SEK 6.5 billion to municipalities and county councils in its annual accounts for 2015. SALAR's figures indicate that municipalities' receivables from the Swedish Migration Agency more than doubled in 2015. For certain large municipalities, these receivables amount to hundreds of million kronor, but the situation is actually worse for some small municipalities whose receivables from the Swedish Migration Agency correspond to more than SEK 5,000 per inhabitant.

The present system has major defects, partly on account of time-consuming application procedures, uncertainty and lack of transparency.¹⁵ Some municipalities have been hit harder than others, especially the »arrival municipalities« for the reception of unaccompanied minors. The Government has appointed an inquiry to review the reception of asylum seekers and new arrivals and it is also to make recommendations about the system of central government compensation to municipalities and county councils. The inquiry is expected to report in October 2017. In the spring the Government Offices also started a review of standardised payments for unaccompanied minors

In the spring the Government has also proposed paying an extra SEK 10 billion to municipalities and county councils in what will eventually be a permanent increase in their government grant. The money is going to be distributed to municipalities and county councils both as a general population-ba-

15. See, for example, *Pilot study of municipal costs for asylum seekers [Pilotstudie av kommunernas kostnader för asylsökande]* (GDA 41/2013) and *Final report of the Government's coordinator of municipal refugee reception [Slutrapport från regeringens samordnare för kommunalt flyktingmottagande]*, Reg. no A2014/232/1U.

sed grant and according to a key that takes account of asylum seekers and new arrivals. This will continue each year until 2021, when the whole amount will be incorporated in the general government grant.

The large volume of asylum seeker and refugee reception has made it clear that the compensation systems need to be changed and simplified. The administration involved must decrease both for government agencies and for municipalities and county councils. The municipalities cannot act as a bank for central government.

SALAR has presented proposals for simplification of the forms of compensation in asylum seeker and refugee reception in its »35-point programme for sustainable asylum seeker and refugee reception« and in its report *The need for regulatory change on account of the refugee situation [Behov av regel­förändringar med anledning av flyktingsituationen]*.

Uncertainties an obstacle to an overall assessment of the financial effects

How asylum seeker and refugee reception will affect the finances of municipalities and county councils in the future will depend on many different factors and there are very great uncertainties.

The costs of services in the sector have already been and will also continue to be affected strongly. This applies, in particular, to the costs of compulsory and upper secondary school, adult education, social services, municipal financial assistance, employment measures, housing and non-residential premises and health care. Elderly care will probably be less affected in the short term since many of the new arrivals are in younger age groups.

When it comes to municipal financial assistance, this issue is strongly linked to the establishment of new arrivals in the labour market.

The estimates of costs made in the calculations carried out in the chapters »Municipal finances« and »County council finances« are based on Statistics Sweden's population forecast in April 2016, which includes those who have been granted residence permits. We have assumed that new arrivals have the same needs (and average costs) for education, health care and social care as the rest of the population, with the exception of asylum seekers in school education, where needs are estimated to be slightly higher. It is hard to judge whether or not this assumption is reasonable. Special work has been started to provide a basis for a more realistic assessment.

In the next section we present an analysis made of differences in health care needs between refugee immigrants and the rest of the population. This analysis indicates that the health care needs of the former group are above the average for the population.

The equalisation system for local government is intended to even out structural cost differences between municipalities and between county councils. But the present system is not adapted to a situation with such a large level of refugee immigration. The equalisation system probably does not handle the cost differences resulting from immigration. In the 35-point programme mentioned above SALAR has proposed some changes to the equalisation system.

Investment needs in the municipalities will increase sharply on account of the increased needs that follow from refugee immigration, primarily regarding housing and schools.

There is potential in developing digital learning platforms and services to give new arrivals a better overview of their situation; platforms and services

where all the authorities involved can provide coordinated information about processes, obligations and rights in a suitable language. The exchange of digital information between central and local government authorities could also contribute to better input for planning and to a faster and more efficient reception and integration process.

Summing up, the overall financial implications of asylum seeker and refugee reception for municipalities and county councils may be substantial. In a short-term perspective the situation of many asylum seekers and refugees can be handled to some extent by making more concentrated use of existing resources, but this is not a viable solution in the long term and an expansion of services will be required. The volume growth of the numbers received is a quite central factor – but what is going to happen in the future is very uncertain.

A calculation is presented below of how the costs of health care may be affected by refugee immigration over a number of years. In the short term health care services have to handle the challenges described above. More detailed calculations of costs and revenue etc. for municipalities and county councils are presented in the relevant chapters.

Refugee immigration and health care costs

We do not know, as yet, how refugee immigration will affect the costs of health care in the future. But we have examined how the health determinants of refugee immigrants differ from those of other social groups. The equalisation system equalises for costs that can be explained by differences in the morbidity of inhabitants.¹⁶ The system includes factors that have a statistical correlation with differences in morbidity: age, sex, employment, income, type of housing and so on. When the equalisation system was developed, tests were made of whether country of birth played any role in explaining differences in morbidity. But the conclusion was that this was captured by the factors given above. We have had Statistics Sweden place Sweden's population from 2014 in the equalisation system's cost matrix for health care. This has been done in such a way that it is possible to select the results by county of birth (7 groups) and on the basis of a person coming to Sweden as a refugee and in that case by their period of population registration.

When this material has been age-standardised it shows that, on average, people born in Sweden are expected to have 2 per cent lower health care costs per inhabitant than the population as a whole. People born outside the Nordic region and the EU are expected to have between 9 and 12 per cent higher health care costs per inhabitant than the population as a whole. The conclusion is that country of birth affects the need for health care.

Table 2 • Cost of health care in 2014 by country of birth, deviation from average (with price tags from cost equalisation), age-standardised

Per cent

Country of birth	Per cent
Sweden	-2
Nordic region (excluding Sweden)	4
EU (excluding Nordic region)	3
Europe (excluding EU/Nordic region)	12
Countries outside Europe with high HDI	9
Countries outside Europe with medium HDI	10
Countries outside Europe with low HDI	11

Sources: Statistics Sweden and Swedish Association of Local Authorities and Regions.

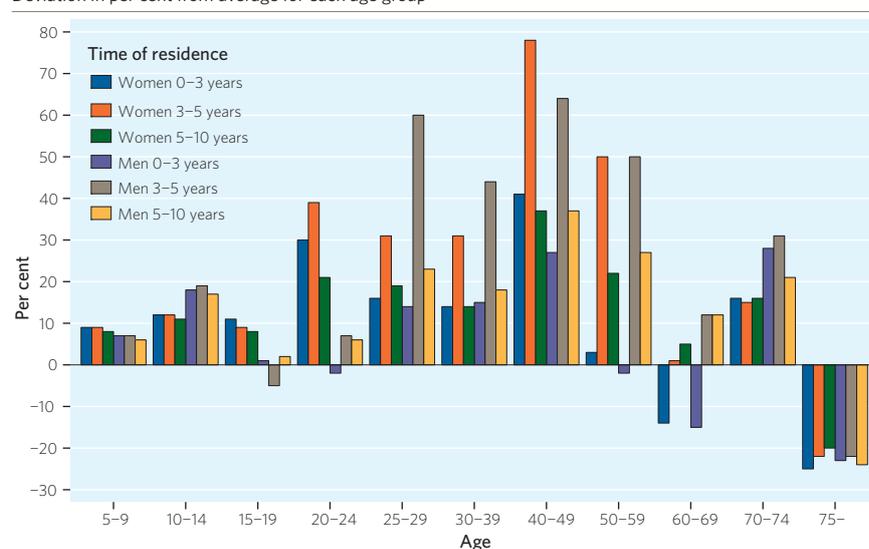
16. The costs in the equalisation system come from Region Skåne and refer to 2008.

One reason for the difference in expected health care costs can be differences in self-support. We can see that employed persons are expected to have much lower health care costs than people who do not have a job. Historically it has been much more difficult for refugee immigrants to get established in the labour market. Fast and effective establishment in the labour market is therefore one way of reducing health care consumption.

The expected costs of healthcare also differ depending on time in the country. In almost all age groups and different periods of stay the costs are higher for refugee immigrants. The exception is the group containing the oldest people, where the costs are much lower. But refugees are much younger than the average of the population, so the average health care cost per inhabitant is lower for refugees.

Diagram 9 • Cost of health care in 2014 by number of years in the country, refugees from countries outside Europe

Deviation in per cent from average for each age group



Sources: Statistics Sweden and Swedish Association of Local Authorities and Regions.

The expected costs of health care are much higher for all refugees from countries outside Europe compared with the average for each age group. This applies especially to people who have been in Sweden for 3-5 years and are in the 40-49 age groups. Since the average age of refugees is lower than of others, the average cost is lower nevertheless.

Table 3 • Cost of health care in 2014 by years in the country, refugees from countries outside Europe, deviation in per cent from the average for each age group

Per cent

Age	Refugee	Refugee	Refugee	Refugee	Refugee	Refugee
	0-3 yrs old	3-5 yrs old	5-10 yrs old	0-3 yrs old	3-5 yrs old	5-10 yrs old
	Men	Men	Men	Women	Women	Women
Average	-36	-24	-33	-14	-3	-12
Average age-standardised	7	28	16	9	24	14

Sources: Statistics Sweden and Swedish Association of Local Authorities and Regions.

In the group of male refugees who have been registered in the population register for up to three years costs are expected to be 36 per cent lower than for all men. Taking account of differences in age structure, the expected costs are 7 per cent higher.

How might refugee immigration affect health care costs in the coming years? With the aid of the results from the above analyses combined with forecasts of how many refugees are expected to be granted residence permits we have estimated what extra costs will arise in health care, given what the health determinants have been like historically for refugee immigrants and given the costs that are used in cost equalisation. It then turns out that in 2015 the expected cost difference is SEK 22 per inhabitant in 2014 prices. In 2020 the accumulated effect for the period 2015-2020 is SEK 163 per inhabitant, which

corresponds to SEK 1.7 billion in 2014 prices. It is important to point out that better integration with a higher participation rate for this group may slow the cost increase down. Early identification of health conditions that may lead to later ill health is also important.

With an ordinary demographic projection based on age and sex the cost per inhabitant rises from SEK 20,938 in 2015 to SEK 21,140 in 2020. This does not take account of the fact that refugee immigrants are expected to have higher costs per inhabitant compared with the average by age and sex. When this is taken into account, costs rise by SEK 22 per inhabitant in 2015.

Table 4 • Costs of health care

SEK per inhabitant, 2014 prices

	2015	2016	2017	2018	2019	2020
Simple demographic projection	20,938	20,982	21,019	21,051	21,098	21,140
Given present establishing pattern	20,960	21,020	21,076	21,150	21,237	21,303
Difference	22	38	57	100	139	163

Sources: Statistics Sweden and Swedish Association of Local Authorities and Regions.

This annex presents some key indicators and the overall income statements of municipalities and of county councils, as well as an aggregate income statement for the sector to give an overall picture.

For diagrams showing the distribution of costs and revenue for municipalities and county councils separately, tables presenting overviews of central government grants and other data that we usually present in the Annex to the *Economy Report*, we refer to our website, a page called *Sektorn i siffror* (The sector in figures). Go to www.skl.se, choose *Ekonomi, juridik, statistik/Ekonomi/Sektorn i siffror*.

An aggregate picture of municipalities and county councils

Table 24 • Key indicators for municipalities and county councils
Per cent and thousands of people

	Outcome		Forecast	Calculation	
	2015	2016	2017	2018	2019
Average tax rate, %	31.99	32.10	32.18	33.93	33.92
municipalities, incl. Gotland	20.70	20.75	20.75	21.21	21.82
county councils*, excl. Gotland	11.35	11.41	11.49	11.78	12.16
	Outcome	Forecast		Calculation	
	2015	2016	2017	2018	2019
No of employees**, thousands	1,117	1,148	1,167	1,188	1,206
Municipalities	841	869	884	902	916
County councils	275	279	282	286	290
Volume change, %	3.0	4.7	2.6	2.9	2.4
Municipalities	2.7	5.7	2.6	3.0	2.4
County councils	3.6	2.9	2.6	2.6	2.5

*The tax base of Gotland is not included, which is why the totals do not add up.

**Average number of people in employment according to the National Accounts.

Sources: Statistics Sweden and the Swedish Association of Local Authorities and Regions.

Table 25 • Aggregate income statement for the sector
SEK billion

	Outcome	Forecast		Calculation	
	2015	2016	2017	2018	2019
Income of activities*	192	218	231	244	256
Expenses of activities	-915	-985	-1,038	-1,100	-1,166
Depreciation	-30	-32	-34	-37	-39
Net expenses of activities	-753	-798	-842	-893	-949
Tax revenue	634	671	707	754	810
Gen. gov. grants and equalisation	128	139	142	148	153
Net financial income	4	3	2	0	-4
Net income before extra-ordinary items	13	14	8	9	10
Share of taxes and grants, %	1.7	1.8	1.0	1.0	1.0

Note: Purchases between the sectors have been consolidated.

*The non-recurring effect of a repayment of AFA premiums of SEK 5 billion is included in Income of activities for 2015.

Table 26 • Income statement for the municipalities
SEK billion

	Outcome	Forecast		Calculation	
	2015	2016	2017	2018	2019
Income of activities*	140	165	175	185	194
Expenses of activities	-601	-655	-692	-735	-780
Depreciation	-21	-22	-23	-25	-26
Net expenses of activities	-482	-512	-540	-575	-613
Tax revenue	410	433	456	486	521
Gen. gov. grants and equalisation	80	88	89	93	98
Net financial income	4	4	3	2	0
Net income before extra-ordinary items	12	13	7	6	6
Share of taxes and grants, %	2.5	2.5	1.3	1.0	1.0

*The non-recurring effect of repayments of AFA premiums of SEK 3.5 billion is included in Income of activities for 2015.

Table 27 • Income statement for the county councils
SEK billion

	Outcome	Forecast		Calculation	
	2015	2016	2017	2018	2019
Income of activities*	54	55	57	60	64
Expenses of activities	-315	-331	-348	-366	-388
Depreciation	-9	-10	-11	-12	-13
Net expenses of activities	-271	-286	-301	-318	-337
Tax revenue	224	237	251	268	289
Gen. gov. grants and equalisation	48	51	52	55	55
Net financial income	0	-1	-1	-2	-4
Net income before extra-ordinary items	1	1	1	3	3
Share of taxes and grants, %	0.2	0.5	0.4	1.0	1.0

*The non-recurring effect of repayments of AFA premiums of SEK 1.4 billion is included in Income of activities for 2015.

Source: The Swedish Association of Local Authorities and Regions.



The Economy Report, April 2016

On Swedish Municipal and County Council Finances

Major demographic changes in coming years will put great strain on municipalities and county councils, in terms of both finances and services. In addition to an ageing Swedish population and more schoolchildren, immigration is increasing sharply.

In the case of people who come to Sweden to seek asylum, central government is responsible for financing reception costs. But municipalities and county councils have a responsibility for services, for schooling, accomodation, health care and so on. This is currently presenting a great challenge and there are now shortages of housing, staff and school premises as well as in other areas. When asylum seekers are granted residence permits, responsibility both for financing and for various services shifts to the local government sector.

Costs are expected to be placed under great pressure in coming years on account of these demographic changes. The strong upturn in the economy and additional central government funding provide temporary relief, but weaker revenue growth in 2018 and 2019 is expected to lead to considerable financial problems for the local government sector.

The Economy Report is a series published twice yearly by the Swedish Association of Local Authorities and Regions (SALAR). In it we deal with the present economic situation and developments in municipalities and county councils. The calculations in this issue extend to 2019.

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