



PRESS RELEASE

DATE 8 March 2004

NO. 11

CONTACT Tomas Lundberg, Press Officer, tel. +46-8-787 02 15

SVERIGES RIKSBANK
SE-103 37 Stockholm
(Brunkebergstorg 11)

Tel +46 8 787 00 00
Fax +46 8 21 05 31
registratorn@riksbank.se
www.riksbank.se

■ Women, growth and welfare - an equation that must add up

Deputy Governor Kristina Persson gave a talk on International Women's Day, 8 March, on the threats to welfare and women's work.

"If the current trends persist, demographical developments will lead to fewer individuals in the labour market and an increasing number needing to be supported. The number of people over the age of 64 will increase by approximately 40 per cent up to 2030, while the number of people of working age will increase by a scant 5 per cent. This means that the central and local governments will experience a decline in income and an increase in the need for welfare services. For instance, the number of people aged over 80 will have almost doubled by the year 2030. If the level of service is to remain unchanged, the public sector would need to employ an additional 130,000 people over the next ten years alone. This raises the question of how welfare - support to those who are unemployed or sick, pensions, healthcare, childcare, care of the elderly - can be maintained in future. This question is particularly important for women, as it is mainly women who work in the public sector (approximately 75 per cent of employees in this sector are women) and it is mainly women who act as private, unpaid carers when the public sector is insufficient," began Mrs Persson.

"The number of resources in society depends on economic growth, which in turn is determined by the amount we work (the labour supply) and how productive we are (productivity). There is most probably some potential to increase productivity in the services sector. However, in the field of healthcare, welfare and education this is limited because human labour cannot easily be replaced by machines. In addition, increased productivity in the business sector also puts pressure on wages in the public sector. It is therefore not sufficient to just increase productivity to improve public sector finances," said Mrs Persson.

"The Riksbank's statutory task is to promote price stability, i.e. a low inflation rate, which the Riksbank has defined as an increase in the CPI rate of 2 per cent.



■ A low inflation rate does create favourable conditions for good economic growth, but the factor that determines the rate at which a country's economy can grow without creating inflationary pressure is its long-term growth potential. This is dependent on efforts made in many areas, such as investment in education, research and development, the design of the social insurance system and the conditions for entrepreneurship. A higher long-term growth capacity means that the economy can grow more over the coming decades without the Riksbank needing to tighten monetary policy. The efforts required to achieve this lie outside of the Riksbank's field of responsibility. It is up to the politicians in the government and parliament to create favourable conditions for increasing the labour supply and productivity and thereby safeguarding the long-term survival of the welfare state," said Mrs Persson.

"The labour supply is dependent on how many people are in the workforce and how many hours they work. From an international perspective, Sweden has a high degree of workforce participation among both men and women. Thus, we lack the labour reserve many other European countries have in the form of women. An increased supply of labour requires that everyone work more and that labour immigration increase. We live healthy lives much longer than before but the time spent in the workforce has declined. Many people enter the workforce late and retire at around 60. Just over one million people remain outside the workforce, while 300,000 are not working because they are sick. If the ratio of those providing support to those being supported deteriorates, a lot more people will have to work a lot longer," observed Mrs Persson.

"Although there is a high degree of workforce participation among women in Sweden, they tend to work much shorter hours than the men in paid employment - around 40 per cent work part-time. Measures such as making it easier for women to increase their working hours, reducing sick leave and helping people on long-term sick leave to return to work would increase the number of hours worked. This would require many different ventures in order to succeed and would, in my opinion, primarily touch on the organisation and management of the public sector as well as people's incentives to work," said Mrs Persson.

"At present, women do most of the housework and the majority of the care work. This is one reason why women have much lower income from work than men. The public sector makes it possible to have a high degree of workforce participation by both men and women by taking a large responsibility for care of the elderly and childcare. If the resources for these activities are no longer sufficient, it will be difficult to maintain the high degree of workforce participation and it may have consequences for the distribution of income policy. All in all, long-term, sustainable growth is necessary for an efficient welfare society. It is of great importance for women that society can meet these challenges," concluded Mrs Persson.