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## Seminar on: Gender Budgeting – The Swedish Experience

### 1. Introduction

Hi, my name is Helen Forslind, and I work as Deputy Director at the Budget department Ministry of finance in Sweden. I work in the Division for Structural Policies and provide analytical support to the officials responsible for the contact with the line ministries. One of the budget department's tasks is to guard public spending's another task is to promote a high degree of economic efficiency.

I have been asked to talk today about the implementation of gender budgeting in Sweden. My department is responsible for claiming gender perspective in the budget work. But before I get into the details and challenges with that I want to nuance the image of Sweden.

Sweden is often portrayed as a pioneer country when it comes to gender equality in general. Which I think mainly is due to our high female labour force participation rather than a conscious political ambition historically.

## **2. Sweden has a long history of promoting women's opportunity to economic independence**

It is central to Swedish gender equality policy that women and men shall have the same opportunity to economic independence. Some of the most important reforms for gender equality took place within the labour market and social policy in the 1970's.

Women gained access to employment and greater financial independence, which increased their well-being and bargaining power in the household.

1) The first reform was the separate income taxation. Separate income tax assessment for wife and husband (1971) means that husband and wife were taxed individually and not jointly. This created an incentive for women to work as their income was no longer seen as part of the husband's income. It became more advantageous for both partners to work.

2) The second reform consists of the introduction of parental allowance – parental allowance was introduced 1974, it replaced the former motherhood allowance. Both husband and wife were equally entitled by law to parental leave. Today the parental allowance pay is 16 months long and 3 months of parental benefit days are reserved exclusively for each parent– they are called “Dad's days” and they cannot be transferred between parents.

3) The third major reform is the development of public childcare. The Governmental decision on the development of public child care was taken 1974. The development of affordable public child care available to all is a prerequisite to Sweden's large proportion of women in employment. The developments of child care facilities give families an opportunity to combine professional life and family life.

These reforms have pushed gender equality and improved women's possibilities. It is also important to stress that reforms like these have contributed to economic growth and the development of a modern welfare state in Sweden.

### **3. Resulting from Several Factors**

The reforms that were important for gender equality, is a result of several different issues not primarily gender equality.

It is important to understand the contextual situation: All the three major reforms in Sweden that have been crucial for gender equality, have also had other underlying causes.

1. The main motive was a great demand for labour in Sweden in the 1970's. In order to make it possible for women to enter the labour market, these important reforms were crucial.
2. Another explanation is the women's movement and its great significance in SE. The women's movement was very well organised, and also worked efficiently within the political system.
3. Of course a political will to promote women was required. It was also crucial.

#### 4. Consequences for the Labour Market

These Reforms have had Comprehensive impact on the labour market. Sweden has among the highest proportion of women in the labour forces in the world (about 80 percent compared to about 86 percent for men). But we know from time use studies that women still perform most of the unpaid domestic work as well as most of the unpaid care for other household members, both children and elderly. Women take an unproportionable big share of the parental leave, that is what justifies the need for “Dad’s days”.

But there are indications that the reforms also hold back women through expectations of high absence from the labour market. The right to parental leave also leads to an expectation of high absence from work for women. The fact that employers have different expectations on women and men leads to statistical discrimination. I would like to briefly mention a few examples of what that it has led to Sweden.

##### 1. Gender segregation

Sweden has a very gender segregated labour market. Women and men choose different types of work; women often end up in the service or care sector. This can be explained by expectations and social norms, but also by a tendency of women to search for sectors where it is easier to combine their disproportional time-consuming work at home with paid work in the labour market.

##### 2. Increased pay gap

Swedish women earned 13,4% less than men 2016– a pay gap just below the OECD average (14%) which is higher than in many countries with comparable female employment rates. The pay gap has decreased lately, probably due to policies to encourage men to be more active parents. But the gap has built up historically due to expectations of high absence for women. This raises the question of how the reforms in the seventies have affected the women’s labour market terms.

##### 3. Harder to reach top positions

Women are less likely than men to progress to senior management positions, (Given otherwise identical characteristics). Because the employers expect that all women take much parental leave, as almost all mothers does, it becomes more difficult for women to signal that they are career oriented. This is resulting in absence of promotions for women.

But if a man on the other hand, is absent due to parental leave more than expected, he is punished by statistically significant lower wage development afterwards.

This limits the individual choice for both men and women and the choices made in the household is affected.

## 5. Impact assessments in general

As an economist I want to emphasize that Gender Budgeting does not imply any new requirements in terms of ex-ante impact assessments. But we have never been very good at performing it.

### 1. Requirements are already contained in governing documents

It has long been a requirement for impact assessment of policy proposals in Sweden. We have a number of governing documents stating that consequences for those affected are to be analysed. But we have always had problems with the quality of the analyses when it comes to costs and benefits of proposals. Quality is not a big problem when it comes to consequences for public finances. But our economic analyses have received a lot of criticism both internationally and nationally.

### 2. Implementation challenges

As I mentioned initially I work to promote better assessments for the policy proposals. It is sometimes obvious to me that there is a lack of knowledge among the civil servants when it comes to economics. Sometimes the civil servants responsible for the analyses cannot distinguish a public spending from a cost for society. The concept opportunity cost is completely unknown to them.

### 3. Incentive challenges

The problem is often a lack of knowledge. Many times, policy makers do not know what they don't know. It makes it difficult to use consultants when appropriate and it makes it difficult for motivation for change. Sometimes it's also that politicians do not want to know what the expected impacts of the proposals are. And without the support of the government, the pursuit of better analyses is difficult. To implement demanding changes requires political support.

#### 4. The application of economic theory

The low female representation in politics historically has led to a lack of consideration of women's needs in decision making. But another problem when it comes to impact assessments is the lopsided application of economic theory. Economic theory has not taken into account women's preferences to the same extent as men's. The household has often been the starting point for analyse and the differences between women and men has not been taken into account. This is not a theoretical problem but an application problem. But it requires a reallocation of funding's for research.

To solve this requires strong political will and a strong priority.

## 6. The Economic Case for Equality

Gender equality is a matter of human rights, a matter of democracy and a matter of justice. It is also an engine driving social development and creating a genuine change in society and in people's lives. But gender equality is primary smart economics and not a gift to women.

It is smart economics because it leads to increased social return; it increases welfare in several ways. Through a higher growth in GDP.

I have summarized it in three points:

The first reason that gender equality is smart economics is:

### 1. Positive Externalities

The concept of externalities provides an economic rationale for gender budgeting. In economic terms, externalities are the costs and benefits of activities that spill over to other markets but are not considered in market prices. Activities that result in positive externalities are undertaken insufficiently compared to the ideal outcome and those that result in negative externalities are undertaken in excess. The improvement of female education and health, among other gender-oriented objectives, has positive externalities, and government can increase social return by ensuring that these externalities are considered in budget decisions.

The second reason why gender equality is smart economics is:

### 2. Unpaid Care - Opportunity Cost

The unpaid work within the household produces a positive externality to other household members and to society at large. Economic analysis has, in recent years; incorporated time spent on non-market activities into modelling and acknowledged the opportunity cost of unpaid work. The time spent on care and other domestic work can be integrated into models as a productive factor. With these extensions, it is possible to incorporate it formally into public policy and recognise that unpaid work in the home is an important part of the economy.



You can draw parallels to when we started to learn to value natural resources just a couple of years ago. Then it was about pricing negative externalities like emissions and environmental damage.

The third reason why gender equality is smart economics is:

### 3. More Equitable distribution

More equitable societies generate benefits that individuals do not fully capture and thus equity is undervalued in the public sphere. Fiscal policies that are redistributive in nature raise the aggregate well-being. Drags down the GDP-growth. There are now reason to think that this result wouldn't hold when the inequality is between men and women.

A few minutes ago I talked about the adverse effects of the three big labour market reforms in Sweden but it is also important to stress that they have contributed to economic growth and higher productivity by strengthening the situation for women. The increased tax base also facilitated the development of a modern welfare state.

This means that Sweden since the seventies has to some extent benefited from this smart economics even if it was not done consciously.

## 7. The Government is a Feminist Government

Now I've planned to focus on our present government and its gender equality ambitions. I would say that the case for gender equality is favourable in Sweden now.

On this slide I have a quote from the Statement of Government Policy, from October 2014. That was when the government was newly elected we have a new election coming up in September.

With the first sentence I want to illustrate the government's image and ambition.

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It indicates in some sense the goal. The second quote states:

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Gender mainstreaming is a commitment to promote gender equality through Government policy; a commitment to make a difference through policy choices, priorities and allocation of resources.

The government has among other things strengthened requirements and governance about gender mainstreaming in agencies' instructions. The government have also set up a new agency for gender equality which will be has been in place since January this year.

Gender Mainstreaming is not a new phenomenon in Sweden. It has been the government's main strategy to achieve the national gender equality since 1994. And it is a prerequisite to implement the policy of a feminist government and gender-responsive budgeting is an important component of this.

## 8. The policy goal

Overarching goal of the gender equality policy is that:

Six sub-goals:

In this context, I would like to emphasize that the policy goals have a broad political support in Sweden. It is not something that changes with a new government. The gender equality goal was first formulated in 2006 by a socialist government. The goal has not been changed by later governments despite changes of ruling parties. After election 2006 we had a conservative government how adopted the goal and now since 2014 we have a collision between the social democrats and the green party. The current government have kept the goal and added new sub-goals.

I do not experience that the progress in gender budgeting are shaded by uncertainty in case of a government change. I heard from some Canadian colleagues, they also have a feminist government, that they are experiencing an uncertainty in case of a change in office. I do not feel that uncertainty in Sweden and that is a result of a broad political support for gender equality.

Here I would like to make a reflection:

In the early seventies we did not have any gender equality goal nor did we have the tools for impact assessment that we do today.

I think it is interesting to elaborate on what the possible impact could have been on the policy design back then if we had a gender equality goal and a will to take into account the consequences for the entire population in the assessments.

Could we have avoided some of the adverse consequences on the labour market? Would we have introduced the reforms in another order?

## 9. Gender Budgeting

As I mentioned Gender Mainstreaming has been part of the work in Sweden for a long time.

An appendix to the Swedish Budget Bill is published each year, entitled “Economic Equality between Women and Men”, the appendix shows the distribution of economic resources between the sexes.

This appendix has been published since 1988, and since 2003 the appendix has been placed adjacent to the Budget bill to emphasise its overarching importance.

Gender budgeting, as an application of gender mainstreaming in the budget process, has been given renewed focus within the Swedish Government. We are using the definition of GB as stated by the council of Europe.

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In 2015 we started to improve the budget process and I will briefly tell you how.

## 10. The Implementation of Gender Budgeting in Sweden

In the Budget Bill for the current year and last year, we have developed our work to ensure that the gender perspective is mainstreamed in the budget process and in government's proposals in various areas.

1. We have improved the mechanisms for internal management & control. Formalized requirement in Budget circular about gender equality perspectives. There is a requirement that all policy proposals and reforms presented in the Budget Bill must be based on gender equality impact analyses, and new policy should be developed with a gender-sensitive approach.
2. To further strengthen the gender budgeting process there have been different working groups, within the Government Offices, which have exchanged good practices, and participated in work-shops and training.
3. Also, a step-by-step guide on how to conduct a gender equality analysis in the budget process has been developed, and training is provided for officials in the Government Offices, in order to ensure that hands-on, operative support is available in the Ministries. Trainings for “know-how” & improved methodology, use of new analytical tool. We have a referencegroup with Gender coordinators from each line ministry
4. Customized policy objectives and actions for gender equality, along with indicators to follow up the result and contribute to the implementatin of the gender equality policy goals. To facilitate evaluation of the policys.

## 11. Challenges for Gender Budgeting

1. The vast majority of the budget is not exposed to evaluation in the yearly budget process. Only the spending's that are subject to discretionary fiscal policy are compelled to meet requirements set up by the gender budgeting. They just make up 5-10 % of the state budget which in turn only forms part of the public sector.

To compensate for this A government agency The Swedish National Financial Management Authority have had a government mandate to analyse the gender aspects of the implemented policy in the budget bill 2017. Not only the reforms that directly aim to improve gender equality, but all reforms on the budget that may have an effect on gender equality. We also asked them to look at gender consequences on the whole spending area in selected parts of the budget (mainly related to the labour market).

2. The budget-circular urges you to examine alternative solutions if negative impacts are anticipated due to the proposal. Which is an improvement on the margin but even when positive effects are expected there might be alternatives that promote gender equality more to a lower overall cost to society.
3. Ensuring sufficient know how in the organization as well as sufficient time to perform comprehensive gender equality analysis.
4. We can conclude that there may be reason to prioritize and to focus especially on the policy areas where gender mainstreaming needs to be improved the most.
5. The experience we have, so far, is that continuous monitoring of progress by reference to key indicators/benchmarks of gender equality is necessary for the follow-up work and to maintain the commitment.

## 12. The Case for Gender Budgeting

1. We do have more political focus on gender now with our feminist government than we have had before. We also have a clearer mandate to improve the governance through the requirements of impact assessments with a gender perspective.
2. We have strengthened the application of a gender equality perspective in the budget process so that policy reforms are based on gender equality impact analysis. The efforts have resulted in more systematic use of statistics disaggregated by sex.
3. Obviously, there are no quick fixes for achieving gender equality.

To be frank; Gender budgeting means that we emphasize and implements already existing requirement which we failed to implement because of our cognitive limitations and normative perceptions about gender. But because we had difficulty implementing it we need gender budgeting. In a perfect world we would not need it. But as long as some men are more equal than others it is a necessity.

Government budgets are supposed to be “gender-neutral”; yet without gender budgeting we run the risk of being gender-ignorant.

But it should be remembered that it means work. It requires motivation at the ministries and the authorities to keep going. We must pay attention to what we signal to them so that they feel confident that we (the budget department) value and use the improved analyzes.

We are right now entering the third budget process with the new requirements and I think it is critical what we signal at this point.

I believe the Swedish government is determined to take steps to further strengthen gender equality. I believe that economic policy is a tool which can be used to create opportunities for human and social development.

Thank you for listening.