

Executive summary

Sweden is among the leading countries in the diffusion and use of digital technologies. Internet use by individuals and businesses is widespread and the digital divides along lines of age, education, income and firm size are narrower than in most OECD countries. Broadband availability, quality and affordability score among the best in the OECD.

Sweden’s capability to embrace the digital transformation has been a main driver of its strong economic performance in recent years. The economy has the highest share of value added produced by the information and communication technologies (ICTs) sector among OECD countries and is among the top ten exporters of ICT services worldwide. Through digitalisation, Swedish firms have moved up along global value chains in manufacturing, focusing their activities on high value-added services.

As the digital economy evolves at a rapid pace, Sweden faces new opportunities and new challenges:

- increasing tradability of digital services is opening up new markets at the time when international competition in manufacturing is getting stronger
- labour productivity growth has slowed down but investment in knowledge remains high and can be better used for innovation
- “big data” and artificial intelligence are enabling new business models and new services, but require that digital risks and privacy be effectively managed
- policy coherence has become essential to seize the benefits of the digital transformation while preserving the societal values of the Swedish people.

Building on the OECD project “Going Digital: Making the Transformation Work for Growth and Well-being”, the *Policy Review of Sweden* provides recommendations in key areas of the digital economy as well as on the implementation of the government’s Digital Strategy, as outlined below.

Expanding connectivity

Sweden has set an ambitious target for its broadband network: 98% of households and firms should have access to 1 gigabit per second by 2025. Achieving this goal requires a few targeted measures:

- enhance co-ordination among national, regional and local broadband strategies, by strengthening the role of the Broadband Forum
- promote deployment of high-speed broadband networks in sparsely populated areas, through concerted actions by the Swedish Post and Telecom Authority (PTS), the Broadband Forum and the newly established Digitalisation Council
- foster competition in infrastructure provision by private players and municipalities, based on a closer assessment of current network models by the PTS and the Swedish Competition Authority.

Increasing adoption and use of digital technology

Use of digital technologies by individuals, firms and the government is higher in Sweden than in most OECD countries. Yet, there is significant room for improvement in a number of specific areas:

- foster usage among individuals with a lower education and low income and promote the uptake of online activities in remote areas
- promote the diffusion of advanced digital technologies in firms, particularly small and medium-sized enterprises, by strengthening the “Digital Lift” programme and its focus on big data and digital business processes
- enhance digital public services in remote areas, by increasing capacity at the local level and building on existing initiatives under the “Digital First” policy
- open up public sector information and open government data to citizens, an area where Sweden seems to be lagging behind.

Upgrading skills for the digital transformation

A key goal of Sweden’s Digital Strategy is that “everyone will be able to develop and use his/her digital skills”. In recent years, Sweden has launched several reforms of the education system, including the National Digitalisation Strategy for the School System in 2017. Building on these policy initiatives, the government should:

- support the effective use of digital technologies in schools as a learning tool
- strengthen foundation skills, particularly writing, numeracy and ICT skills, in primary and secondary education
- increase tertiary education courses on ICT and data analysis and attract more students to these disciplines
- strengthen the incentives for professional training in ICT and data analysis, in co-ordination with social partners
- reduce the gender divide in programming skills and ICT-related occupations
- consider developing a comprehensive Digital Skills Strategy.

Fostering digital innovation

Sweden is an international hub of scientific excellence and technological leadership. The share of gross domestic product (GDP) spent on research and development is among the highest worldwide, although it has been declining since 2000. There are a large number of initiatives, publicly funded and in co-operation with businesses, to foster research in ICTs and promote the development of advanced digital tools for businesses. The government, through its innovation and research agencies, could further improve the performance of the Swedish innovation system:

- continue current efforts to set priorities for innovation policies related to digitalisation
- scale up programmes for digital innovation in order to exploit economies of scale in research and testing

- undertake a more systematic evaluation of research projects and innovation programmes supported by public funds
- strengthen policy labs and regulation sandboxes as an innovative approach to the design and implementation of policies and regulations in the digital economy.

Strengthening labour market institutions

Effective labour market policies and institutions are essential to accompany workers along the digital transformation. The Swedish model, based on a strong dialogue between the social partners and the active role of job security councils (JSCs) seems well-equipped to facilitate a smooth transition for workers affected by the digital transformation. There is room, however, to improve the coverage and the quality of JSC services and Public Employment Services (PES) services. Social partners may want to:

- extend the provision of JSC services to all displaced workers, including blue-collar, youth and other vulnerable groups
- promote successful job-transition services, e.g. the Early Risk Service, in all JSCs
- improve co-ordination between the JSCs and PESs at an early stage of the dismissal procedure, in co-operation with the government
- establish a negotiation council for platform-mediated jobs, where platforms and trade unions may negotiate collective agreements
- promote regulatory sandboxes to facilitate the compliance of new forms of work with existing regulations and the development of new regulations for digital labour markets.

Enhancing digital security

The 2017 National Cybersecurity Strategy aims to better integrate digital security policy within the broader digital transformation agenda. The strategy marks a turning point towards a more holistic approach to digital security in Sweden and should be further developed in several directions:

- promote a clear vision of digital security risk management as an economic and social responsibility of leaders and decision makers in public and private organisations
- provide policy leadership on the economic aspects of digital security, by strengthening ministerial co-ordination
- promote the role of the Digitalisation Council as a hub for co-operation on digital security issues
- develop adequate mechanisms for policy co-ordination around digital security, taking stock of the different approaches adopted by other OECD countries.

Turning the Digital Strategy into policy actions

In 2017 the Swedish government launched a new Digital Strategy, whose overall goal is for Sweden to be the best in the world in the use of digitalisation opportunities. The strategy set a number of targets to achieve this goal: digital literacy, digital security,

digital innovation, digital leadership and digital infrastructure. To translate these targets into effective policy actions, the government should:

- link the Digital Strategy’s targets to specific policy instruments, with well-defined and quantifiable objectives
- assign institutional responsibilities for the Digital Strategy’s targets, in order to facilitate policy co-ordination and increase accountability
- provide for clear appropriations in the Budgetary Bill, in order to signal the government’s commitment and strengthen the political credibility of the strategy
- set up stronger co-ordination mechanisms among ministries, agencies and across levels of government, possibly supported by an appropriate matching grants scheme.



From:
OECD Reviews of Digital Transformation: Going Digital in Sweden

Access the complete publication at:
<https://doi.org/10.1787/9789264302259-en>

Please cite this chapter as:

OECD (2018), "Executive summary", in *OECD Reviews of Digital Transformation: Going Digital in Sweden*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264302259-9-en>

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