

## SOLIDARITY AND CARE IN SWEDEN

### 1. INTRODUCTION

For many decades, the Swedish welfare system has served as the archetype of the modern, comprehensive welfare state, characterised by such features as universality, high taxation, income redistribution and an all-encompassing structure. Its epithet 'solidaristic' welfare state (Baldwin, 1996, p. 35, Esping-Andersen, 1985, pp. 30-36) has implied not only the visible features named above, but also a number of indispensable and fundamental underlying values. By tradition, the growth of Swedish welfare has been legitimised by such indisputable virtues as equality, democracy and help to the needy, whether the origin of that need is a vulnerable life-phase or an unfavourable position on the labour market. Benefits are based on uniform rules and intended to cover the entire population throughout the different stages of life. Most services are public and either free of charge or heavily subsidised. The financial burden of these welfare arrangements has been distributed according to the ability to pay, through a system of progressive income taxation and employers fees, and popular support for the model has mostly been very strong. Decentralisation has served to further increase legitimacy, by moving vital parts of the political decision-making to the local government level and thus closer to the citizenry.

Until the beginning of the 1990s, when economic recession, increased unemployment and a rapidly growing national deficit swept away the financial base for any further growth, Swedish welfare was in a state of almost continual expansion. But with deteriorating public finances, national and local authorities have been forced to make cutbacks in many areas. Medical care and social services have been obvious targets in the rationing process, as well as objects of reform and measures to enhance efficiency. State subsidies to municipal services were reduced and in such major transfer programmes as sick leave benefits, occupational injury schemes and unemployment allowances, steps taken to reduce availability as well as levels of generosity.

Public support for comprehensive tax-financed welfare began to decrease during the 1980s (Hadenius and Nilsson, 1991, p. 52). The economic decline at the end of the decade coincided with a debate calling in question the legitimacy and rationality of the welfare sector. The main theme of the critique was the alleged lack of efficiency and unintended, negative side effects of welfare policy in general and certain programs in particular (Ferge and Kolberg, 1992, pp. 19-23; Lindbeck, 1995, in passim).

This remains a theme in any liberal or conservative criticism of comprehensive (social democratic) welfare. However, all the major parties in Sweden propose welfare arrangements in their current political programs which in an international comparison, are still fairly strong.<sup>1</sup> In recent years, general arguments in favour of a less generous welfare system increasingly have tended to depart from the present and foreseen effects of economic globalisation. The internationalisation of economics and politics undoubtedly represents a challenge to the traditional Scandinavian welfare models (Esping-Andersen, 1996, pp. 256-261). The movement towards an all-encompassing internal European market with a free flow of capital, commodities and labour, implies a less influential role in economic policy-making for nation states.<sup>2</sup> The process of integration in other areas of the EU and the introduction of the EMU (which Sweden has not yet joined, but is making efforts to adapt its economy to) adds further limitations to national policy. The pressure to harmonise taxes could also lead to a substantial loss of public revenues and further problems of financing generous welfare programs.

In monetary terms, the efforts to reduce the national deficit have been rather successful. National finances in Sweden are much stronger today than they were at the beginning of the decade, but the cutbacks have resulted in deteriorated conditions in a number of welfare areas - visible in less generous eligibility standards, lower compensation levels and diminished quality of care. The changes have been more thorough in some areas than in others, but in general, the reactions to measures have been negative. Media reporting of people suffering from the changes, trade union protests and public expressions of dissatisfaction have followed in the wake of retrenchment. As we will see in the following, during the period of rationing Swedish public opinion has very clearly moved in favour a strong, tax-financed welfare sector.

Another development that followed the onset of the financial problems was a move towards privatisation of local welfare services and an endeavour to initiate market incentives in the care giving systems (Montin, 1995, pp. 38-45). The ideology of marketisation gained much support at the beginning of the 1990s, especially in the southern and more urban regions of Sweden and in counties and municipalities with a conservative majority (Montin, 1998, pp. 93-95). Contracting out and the establishment of internal market-like conditions have been visible trends in health care as well as in personal social services.

There is no doubt that Swedish welfare has been under a great deal of pressure during the last ten years and that some systems have gone through a transitional phase. Although to what extent this has altered the very nature of the Swedish comprehensive welfare model and whether it is correct to say that the solidarity-grounded qualities of the system have been eroded

are open questions. In the following, we will describe the recent development and contemporary nature of Swedish welfare in more detail. Our aim is to give a rough but adequate picture of the magnitude, characteristics and degree of protection offered by different programs. We will also present public opinions on welfare in general, on different services and on various recipient groups.

## 2. THE SWEDISH MODEL

The financial and administrative responsibility for the major social insurance programmes in Sweden lie with the state. For a long while, social insurance formed the bulk of welfare provision and the main objective was to provide the citizens with an income safety net. Although the foundations of the Swedish welfare state were laid down in the 1930s (when the social democrats and the agrarian party met the economic crisis by massive state intervention), it was not until after the Second World War the major social insurance reforms were implemented. The rapid development that followed was a result of a flourishing economy and the joint efforts of powerful labour unions and a strong Social Democratic Party. In economic terms, the provision of social insurances is still the major task and in all Scandinavian countries; benefits such as pensions, unemployment benefits, cash benefits during illness and parental insurance, is of greater importance than all other benefits put together (Ministry of Health and Social affairs, 2000, pp. 61-64). What has characterised Swedish welfare in modern times, however, is the expansion of social services and benefits in kind. Political ambitions and a solid economic development set off this process in the early 1960s. Now, for the first time, it was possible to increase public care and private consumption simultaneously. The growth started with health services and care of the elderly and continued with the expansion of childcare and individual and family services. The provision as well as financing of these services has almost entirely become a public responsibility. Hence, the Swedish/Scandinavian model is contrasted to countries that have a tradition of responding to needs in health and social care by social transfers such as private insurance to cover costs (Lehto, 1998, p. 4).

The distribution of costs for different welfare sectors is displayed in table I. Social insurance expenditures are the most substantial, representing more than half of the amount spent on social welfare. Here, pension costs are the dominating item, ahead of unemployment insurance and sickness benefits. Expenditure on service and care adds up to 13 per cent of GDP, evenly distributed between health care and social services.

TABLE I: SOCIAL WELFARE EXPENDITURES, 1996

Sub-sector	% of GDP	
<i>Social insurance:</i>		17.8
Pension	13.5	
Unemployment insurance	2.2	
Sickness benefit	1.3	
Paternal insurance	0.8	
<i>Health care:</i>		6.1 <sup>3</sup>
<i>Social services:</i>		6.8
Care of elderly and disabled	3.8	
Child care	1.5	
Individual and family services (including social assistance)	1.5	
<i>Other:</i>		3.8
Total		34.5

Source: Ministry of Health and Social Affairs (1998) and own calculations.

When looking at the Swedish health care and social service system, it is important to do so in relation to the social insurance system. In Sweden, the borderline between the care and service system and the insurance system coincides with the division of responsibility between the state on the one hand and the municipalities and the counties on the other. Social assistance - the means-tested financial benefit for those who have fallen through the insurance system - is the responsibility of the municipalities and therefore a part of the social service system. This means that changes in the insurance programs automatically affects the care and service system and therefore we begin our system description with a brief presentation of the most relevant insurance programs.

### 3. THE SOCIAL INSURANCE SYSTEM

The Swedish social insurance system is characterised by its universality. The entire population is covered on an individual basis by a uniform system, irrespective of occupation and civil status. At the same time, eligibility and compensation levels are strongly coupled to labour market participation. This means that people with a marginal position on the labour market also have a less favourable position in the social insurance system. Groups who do not match the prerequisites of regularity and permanence of employment are in large numbers being relegated to less generous, means-tested systems such as social assistance. This is a quality of Swedish welfare apt to reduce the image of universalism, also referred to as 'dual welfare' (Marklund and Svallfors, 1987, p. 16).

Most programs are financed by a social insurance contribution on incomes from employment paid by the employer. In a number of areas, the qualifying conditions are attached to how long and to what extent people have been working before the claim. In most cases, the amount paid out is related to the loss of income. Another characteristic of the Swedish system is that almost all benefits are fully liable to taxation, and all except for

pension payments are counted as income contributing to a future pension within the framework of the national supplementary pension plan.

### *3.1 The pension system*

Today, there are two co-ordinated pension plans in force in Sweden<sup>4</sup> - a basic pension plan, which aims to guarantee basic security for everyone, and a national supplementary pension (ATP) plan, intended to guarantee a pension in relation to previous income. Old-age pensions may be disbursed from both plans. The retirement age is variable between the ages of 60 and 70, but it is normally assumed that people will start to draw their pensions at the age of 65.

The right to a basic pension is acquired by everyone aged 16 to 65 years old being a Swedish resident. The ATP pension is earned and the maximum pension is attained after 30 years of pensionable income. For those who are not entitled to any or only to a low supplementary pension, a pension supplement can be paid to boost the basic pension. Most pensioners who have been in employment also have a contract pension, i.e. a pension regulated in collective labour market agreements. This form of pension can amount to about one tenth of the employee's final salary. On top of these two forms of collective pension plans, there has been an expansion of private pension schemes during the 1990s, particularly among women.

### *3.2 Unemployment benefits*

There are two systems from which unemployment benefits are paid. The older is voluntary unemployment insurance, disbursed by special unemployment insurance funds linked to the trade unions. Requirements for eligibility are, first, membership of an unemployment insurance fund for at least one year and, secondly, six months' employment over the previous twelve months. The benefit rate in 1998 is 80 per cent of previous income and the compensation period is 300 days. The other form of benefit is a basic insurance to cover people who are not insured in an unemployment insurance scheme. Requirements here are six months' employment within the last twelve months and the benefit is a flat rate and less than half of the maximum benefit from a trade union fund. Due to the qualification standards, as many as one in four unemployed persons was without any unemployment insurance coverage in 1997 (Sunesson et al., 1998, p. 22).

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