



# What can we do to tackle inequalities? The Swedish Experience

Presentation to the  
**Punching Above our Weight?**  
**Smaller nations and regions in the fight against poverty in Europe**  
*EAPN Seminar*  
24 September 2009  
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# The Swedish experience

- The Swedish welfare state – from ideas to action
  - Advantages of the model
- Putting the welfare state to the test: Crisis in the 1990s
  - Curbing public expenditure
  - Some outcomes
- After the crisis: towards recovery
- Summing up
- Future challenges



# The Swedish welfare state – from ideas to action

- The welfare insurance system
  - Funded via extensive income tax transfers
  - Redistributive system with growth enhancing mechanism
- Public sector involvement
  - Provision of free education, health care, social security for all
  - Equal opportunity for all
- Labour market regulations
  - Centralized wage negotiations
  - Solidaristic wage policy



## Advantages of the model

- Universal coverage – to combat poverty and exclusion
  - Low life-cycle poverty
  - Reduced inequalities
- High employment men and women
- Strong support for social security



# Putting the welfare state to the test: Crisis in the 1990s

- Phases in the economic crisis:
  - GDP growth negative
  - Crisis in the export sector
  - Falling demand in domestic market
  - Crisis in State finances – to reduce budget deficit – savings in the public sector
  - Large waves of refugee immigration



# Curbing public expenditure

- Raising fees for public services
- Major changes in social insurance
  - Income security lowered to 80%
  - Tightening of eligibility for benefits
- Privatizing many public services
- New pay as –you-go Pension scheme
  - Three vulnerable groups emerged
    - *Women specifically lone mothers*
    - *Young people*
    - *Immigrants*



## Why these groups?

1. There are inconsistencies and lags between practices, culture and political strategies
2. All three groups are especially sensitive to deteriorating labour market conditions
  - Youth because of labour market “*last in, first out*” regulations
    - Lack of labour market experience
  - Immigrants
    - Also a lack of labour market experience due in part to
    - Poor language skills combined with a lack of knowledge on the functioning of the Swedish labour market
  - Women (Lone mothers)
    - Single family income
    - Low wage occupations, part-time work



# A Social Contract with Swedish Citizens

A social contract that included a number of obligations

Labour market participation

1. Work for everyone!
  2. Everyone has to work
- Social respectability
  - Social responsibility

in return the welfare state guaranteed security against poverty and need.



## Swedish model of social protection

- Universal benefits
- Earnings-related social insurance
- Targeted benefits to the poor
- Social services
  - universal
  - decentralized
  - separated from cash benefits
- Individual social rights
- Taxation
  - Employer contributions
  - Central/local taxes
  - Local taxes with state
  - subsidies
- Dual-earner model
- The key element
  - *Full employment and active labour market policies*



## Some outcomes

- Impact on people's income, work, health
- Highest unemployment levels since the 1930s
- Falling average disposable incomes
- Increased social stratification
- Retrenchment in social insurance
- Emerging clusters of welfare problems
  - Increased housing segregation
  - Long-standing health problems
  - Anxiety and sleeping problems
  - Loneliness and isolation
  - Rising criminality



## After the crisis: towards recovery

- Mixed results for all three groups
  - Employment levels increased after the crisis but at present:
    - 22% youth unemployment at present (age 15-24)
    - 13.5 % of immigrants (15-64) born outside Sweden
    - Lone mothers employment is only slightly less than the Swedish rate at 73%
    - Incomes have increased but there are large differences in wages and transfers
  - Health – no real improvements
  - More lone mothers and immigrants have found employment but clusters of welfare problems continue to affect these groups.



## What is the situation today

- Youth, lone mothers and immigrants continue to experience welfare deficits.
  - higher unemployment levels
  - increased economic difficulties
  - more likely to be employed in temporary employment contracts under a-typical employment forms
  - Suffer from declining health status
  - continued accumulation of welfare problems



## Summing up

Sweden's crisis in the 1990s raised questions about the country's capacity to sustain its comprehensive welfare state. But the country has recovered and in general, is doing well.

Work and employment remain central to the Swedish welfare state and Sweden also remains committed to equality and equal opportunity.

- *However, reform in labour market regulations and housing policy, two areas that are of particular importance for vulnerable groups discussed here has been very slow and piecemeal.*



## Future challenges

Swedish welfare state institutions that made it strong are its biggest weakness. Welfare policies and programs were built in large to solve problems of an industrial society. Today the Swedish economy is dominated by the service sector with a different set of problems among these are:

- An heterogeneous population
- Divorce rates and lone-parenthood
- The gender issue
- Late entry and early exit in working-life
- Unemployment and social exclusion
- Globalization

The challenge will be to solve these problems in a climate of growing neo-liberalism and declining political consensus



# Thank you

- Questions
- Comments