Once one of Europe’s poorest countries, in the post World War II decades Sweden evolved into a slum-free, affluent, egalitarian full employment welfare state, with a strong commitment to work for all and women's equality – the poster child of advanced welfare states. Income differences narrowed dramatically and poverty was nearly eliminated. Labor-management cooperation, high union density, high taxes and (except for a few years) Social Democratic political dominance, were the norms.[1] A strong commitment to the welfare state and jobs for all eventually cut across political party lines.

Full employment was a national ethos and the top priority of economic policy. Swedes considered jobs the key to a normal life and the economic foundation of the welfare state. Sweden's benefit programs were developed to meet virtually all contingencies and include, among others: pensions; support for the unemployed that includes benefits, job training, retraining and job creation; disability and sickness benefits; health care; parental leave; child allowances; financial assistance for families with disabled children; and decent housing for all. Social provision of high quality services for the elderly, children, the ill and disabled greatly expanded the public sector and paid jobs for women. Swedish women have among the highest labor force participation rates in all the OECD countries.
Going against the trend on a continent plagued by high unemployment, until the 1990s, unemployment averaged barely 2 percent; 3 percent, an extreme rarity, was political suicide and could and did help topple a government.

The Unravelling

That's the Sweden that was. But in the early 1990s, Sweden was hit by the worst economic slump since the 1930s, with 3 years of falling output, the rebirth of mass unemployment, a ballooning budget deficit, and draconian cuts and rule changes in income benefits and services. These started under a conservative-led coalition and continued under the Social Democrats.[2]

What went wrong? Critics claim that the welfare state had simply become unsustainable and its cost had sent the budget deficit soaring. Yet shortly before the slump, Sweden still had full employment, a strong welfare state and a hefty budget surplus. To understand what happened, consider the background: the growing power of Swedish business, pressures from globalization and the race to join the European Union, with its requirements for low budget deficits and inflation but none for low unemployment. Neoliberalism had penetrated even the Social Democratic Party. The emphasis was on free markets, deregulation, and privatization. Perhaps as a consequence, the national government has increasingly thrust responsibility for health and social services onto local government. Also, a sweeping tax reform favored the rich and cut deeply into government revenues. Financial deregulation had sparked a wildly speculative real estate boom and a related near collapse of the banking system. These policies required an expensive government bailout, a stubborn, futile and costly defense of an overvalued krona that pushed interest rates briefly to 500 percent and helped to turn a recession into a depression that coincided with an international slump. Above all was the abandonment of the full employment priority.[3]
After a half century of full employment, the most striking change in Sweden's welfare state was the resurgence of mass unemployment in the 1990s. It was worsened and prolonged by an austerity program that depressed demand and cut deeply into public sector jobs and thus directly affected the availability and quality of social services. In 1994, after a three-year rule by a conservative-led coalition, the Social Democrats returned and were strongly driven to meet strict criteria for admission to the EU's monetary union. In the 1990s, official unemployment hovered around 8 percent for five straight years. Participation in the labor force as well as the proportion and number of people employed and the number of public sector jobs fell. Even now, in 2006, and despite a booming economy, these figures are below what they were in the pre-crisis era, and currently (February, 2006), the unemployment rate is 5.6 percent.*

Recent budgets signal a somewhat more expansionary fiscal policy. With an eye toward the upcoming September 2006 election, there have been modest increases with an emphasis on more jobs and increased social welfare spending.

The Social Democrats have a parliamentary minority and must rely on support from the Left and Green parties. The government still operates under neo-liberal norms. It has a self-imposed 2 percent of GDP budget surplus over a business cycle, even more restrictive than the EU budget requirement! And it has had self-imposed expenditure caps on the whole budget since 1997. These hold down spending, even when there are surpluses. Expenditure caps have been declining as a proportion of GDP. In addition, countries in the EU must not only adhere to budget deficit limits set by Brussels, but they must also include expenditures by local governments in their national calculations. An important consequence is that since 2000 Stockholm has imposed balanced budget requirements on local governments, and expenditures for health, social
services and education have been held down.[9]

Income Distribution

Sweden has a very egalitarian distribution of income, though less so than in the past. Looking at disposable income, inequality dropped sharply in the 1970s, but has been rising since the beginning of the 1980s. The long run trend towards more inequality has continued, with some slight ups and downs.[10] The highest gini-coefficient — a measure of inequality — of disposable income was in 2000, mainly the result of capital gains that occurred as a result of the peaking of the stock market.[11] It has narrowed since then, but it is still markedly higher than it was in the 1990s.[12] That Sweden had the least income inequality of any industrialized country in 1980 and still does is because other countries have also increased their income inequality.[13]

Poverty and Social Exclusion

Employment is the surest guarantee in Sweden to avoid poverty, but tax and transfer policies continue to play a big role in lifting many out of poverty. Nonetheless, there is poverty in Sweden, especially among the persistently unemployed and underemployed.

Poverty in Sweden is low by international standards, especially among children. A recent UNICEF report (2005)[14] found that poverty among children — using the common European measure that defines poverty as those living in households with less than half of the national median income — had risen from 3 to 4.2 percent in the 1990s. But Sweden still ranked fourth lowest among 26 OECD nations with a rate just under one-fifth of the comparable U.S. rate of 21.9 percent.

However, within Sweden, poverty is now commonly measured by a relatively generous social assistance standard that overstates the extent of poverty compared to both the UNICEF measure and the official U.S. measure that grossly
underestimates poverty. Using the Swedish social assistance poverty measure, poverty peaked in 1996 at 11 percent. Poverty disproportionately affects young unemployed adults, single mothers and their children, families with many children where the parents are unemployed, and immigrant households.[15] Rates have declined for young adults, many of whom have gotten jobs, but those who are foreign born — especially recent arrivals — have significantly lower incomes, 17 percent lower on average, than those born in Sweden.[16] On average, those who have been in Sweden longer or are from other Nordic or EU countries have higher incomes. Sweden now considers itself a multi-ethnic society, with 13 percent of its population over the age of 15 now foreign born and another 2 percent having two foreign-born parents.[17] (Sweden has a longstanding policy of offering asylum to displaced persons and political refugees, and most non-Nordic new immigrants fall into these categories or are reuniting with their families. Unlike in some other countries, immigrants are encouraged to become citizens.)

Between 1997 and 2001, children's poverty dropped from nearly 15 percent to just over 8 percent,[18] but nearly two out of five children of foreign born parents were poor in 2000, and their poverty appears to be persistent — that is, lasting at least 10 years for half of them.[19] Poor children, especially from immigrant families, are concentrated in poor neighborhoods in the country's three largest cities.[20] The national government has begun to pay more attention to the persisting problems of integrating the foreign born into Swedish society, but segregation in housing and employment discrimination remain troubling patterns.

Many immigrant families rely on relatively generous but rigidly means-tested social assistance. In 2003, 6 percent of all Swedish households but 22 percent of all single women with children received social assistance at some point during the year, and most received benefits in at least two consecutive
Mass unemployment and cutbacks in social benefits in the 1990s led to a dramatic expansion in social assistance, and the government's goal was to halve the rolls between 1999 and 2004. There has been a reduction in the utilization of social assistance, partly because of some improvements in the labor market for immigrants, but in recent years the reduction has slowed because of continuing relatively high unemployment. The current government believes the most important way to reduce social assistance dependence is through employment expansion and has proposed measures, among others, to upgrade and employ care workers in health and elder care at the municipal level.

Welfare State Programs

In the 1990s, significant changes were made to various programs to maintain income and provide services. These include, but are not limited to, more stringent qualifications, reductions in benefit levels, regulatory changes, and higher user fees. After the economic upturn in the late 1990s, benefit levels for many income security programs were adjusted upward, but seldom to the levels prevailing at the beginning of the 1990s, and rule changes tended to remain. While the general trend has been to restore some cuts made in the 1990s, restorations have been uneven; some programs (such as for children) are gaining, while others (services for the elderly) have lost ground. Below we focus on just a handful of income support and service programs.

Pensions

Sweden has been a world leader in providing economic security for its elderly, in no small part because of its former pension system. This core income security program has been fundamentally changed, not just tweaked. The previous extremely popular system is being replaced by an entirely new,
and far more complicated and market oriented one, that strips people of economic security.[25] Here, we can point to only a few crucial changes to illustrate what is happening in this new and very complex system.

To start with, the old system was based on predictable, defined benefits where the future retiree knew what she or he would be receiving. In the new system, predictability is gone. Only the contribution is known, and there is no guarantee of benefits relative to pre-retirement income. Risk has been shifted to the individual. What is more, a portion is required to be invested in private accounts, again with no guarantee of income. There is a small guaranteed government pension available only to persons 65 and older, the vast majority of whom are women who have little or no pension income. Because this guaranteed pension is tested against other pension income, it contrasts with certain benefits for families with children that will be further discussed below, and it serves to thwart previous concepts of social solidarity in Swedish society. We believe the full impact of these changes will become more apparent in the future, when it is fully implemented, particularly if the economy goes into a slump. According to the Swedish government's own assessment, the new system will increase income inequality among pensioners,[26] and many believe it will be worse for most Swedes.

It is ironic that in the conservative United States, recent efforts by the Bush administration to introduce private accounts into the Social Security system have thus far been defeated, but in Social Democratic Sweden, this plan was adopted. How did this happen? The explanation is political. In the United States, the Democrats united to resist privatization. And some Republicans also feared facing the voters as the proposal became more and more unpopular the more the public learned about it. But in Sweden, the leadership of the Social Democrats agreed with all four non-Socialist parties. Changes were presented as necessary on the grounds
that the old system would not be sustainable for baby boomers. Social Democratic leaders have been accused of stifling debate within their party. Some of Sweden's leading actuaries, including the President of the Swedish Society of Actuaries, said that the old system was in fact in good shape.[27] According to these critics, the issues were political and ideological and should have demanded a full-fledged debate; instead the plan was agreed to behind closed doors and was presented as a technical problem. It was passed with little public discussion.

Health and Health Care

Based on comparative life expectancy rates, Swedes are doing very well.[28] Life expectancy at birth in 2003 is 82.4 years for women and 77.9 for men; the comparable figures for the United States are 79.9 for women and 74.5 for men.[29] So, too, for infant mortality; between 1992 and 2002, Sweden nearly halved its infant mortality rate and in 2002 had the second lowest rate among 30 OECD nations. Second only to Iceland, its rate was about two-fifths of that of the United States.[30]

The Swedish universal health care system has been changing. Fewer resources in fixed prices were spent on health care during the late 1990s, a consequence of policies implemented during the economic downturn, but they have been rising and now exceed what was spent in 1993. Health care is provided at the county level, with variations in its delivery. As in the United States, hospital stays have been considerably shortened, and consequently, the number of hospital beds has declined by about a half. This has had a significant impact on the need for ongoing care at home for many, especially the elderly. Physicians in private practice are now a noticeable proportion of health care providers. Nearly all are paid with public funds, however. User fees have risen. And total expenditures on dental care insurance, in constant prices, decreased dramatically in the 1990s. The latest budget includes a promise, with no details given, to introduce a
Family Benefits

Family benefits have been and remain the hallmark of the Swedish welfare state. The complex of benefits, provided at the national level, are aimed at assuring mothers and fathers financial security at childbirth or adoption and, importantly, allowing parents to combine work, education and family life. Unlike in some other countries, in this arena, there is a strong emphasis on creating the conditions for and explicitly encouraging gender equality.

Parental leave epitomizes Swedish family policy. It currently compensates new parents for time away from work for a total of 13 months at 80 percent of their previous earnings, up to a ceiling that covers most people. Designed to encourage fathers to participate in the care of their infants, each parent must take at least one month (the so-called "daddy month") of the total or lose it. An additional three months can be taken at a lower flat daily rate that has just been tripled to a low 180 SEK (about $23).[33] While parental leave is structured to encourage fathers to spend time with their newborns, 84 percent of the time off is taken by women, but the proportion used by men has risen since the early 1990s.[34] A recent controversial proposal of a government-appointed commission, designed to encourage greater participation of fathers in the care of their newborns, would extend parental leave to 15 months with the requirement that each parent take at least five months of leave.[35] There are also various benefits for working pregnant women, including paid leave prior to giving birth, and compensated paternity leave that enables fathers (or, in certain circumstances, someone other than the father) to remain at home for 10 days.
at the birth or adoption of the child. This benefit is widely used.\[36\] Another benefit provides income at the relatively low fixed rate to new parents who were unemployed at the time of birth or adoption. Either parent can also take up to 60 days per child per year to care for a sick child at 80 percent of earnings. These expanded parental and sick leave benefits are to some extent designed to encourage a higher fertility rate that declined rather steeply since peaking in 1992, in part because of insecure employment.\[37\] Although now among the highest in Europe, the fertility rate is still below its previous high.

The universally provided *child allowance*, which had been reduced in the 1990s, and a supplement that had been eliminated for large families, have been restored and made more generous. Families now receive 1050 SEK/month (or about $135 U.S.) for their first child and progressively more for each additional child (providing a supplement for the second child has just been implemented.\[38\] The child allowance is an important anti-poverty measure, and a new addition is a child allowance to support parents who are full-time students.

Families with an absent parent also receive the *advanced maintenance payment*, a public grant to the custodial parent that is even more generous than the child allowance that these families also receive. Compensation for the grants is collected from the absent parents by the authorities whenever possible. The amount per child per month is 1,173 SEK (about $170). Fifteen percent of children from newborn to age 20 receive this grant. One welfare benefit that has been greatly reduced by tightened rule changes is the *means-tested housing allowance*.\[39\] Housing costs have become increasingly burdensome, especially for renters.\[40\] The 2006 budget includes modest increases in funds for the housing allowance.\[41\]

The combination of various family income supports – including transfers and tax policies – is largely responsible
for reducing disparities in disposable income among different family types. For instance, more than half of the average disposable income for single parent families comes from government transfers. Clearly, the generous public benefit structure is largely responsible for preventing mass poverty among this vulnerable part of the Swedish population. However, although average income has increased over the last decade, single parent families lag behind, largely because of poor labor market conditions.[42]

**Child Care and Care of the Elderly**

Two service sectors that in the past freed women to work and provided them work are child care and elder care, both of which are organized and subsidized at the municipal level.*** In the past decade, these programs have gone in opposite directions, child care becoming more comprehensive and available and elder care becoming more restricted.

Universally available child care became a social goal in Sweden in the 1970s to stimulate child development as well as to free mothers to enter either the paid labor force or to pursue education, observes Szebehely.[43] Shortages developed and, to save spaces and money, children of the unemployed were excluded and there were reductions in the staffing ratios. Staffing ratios have improved, and shortages have abated. All localities are required to provide child care—now termed "preschool"—for all children ages 1-5 for at least 3 hours a day in either congregate or family childcare settings. Seventy-five percent of pre-school children are in congregate settings. There has been a small increase in the use of publicly funded but privately run facilities which now accommodate about 17 percent of children. About half of these are in parent cooperatives, mostly run by affluent and better-educated parents. Very few are commercially run. Most young school-aged children attend public after-school programs. Fees had been rising in the 1900s but now cannot be more than 1 to 3 percent of the families' income, depending on the number of
their children enrolled.[44] Thus, universal child care has essentially been achieved, but the development of publicly funded private alternatives may erode the common experience of young children and heighten the differences among classes.

Elder care, however, is very different. A relative is entitled to up 60 days paid leave to care for a seriously ill family member. But publicly provided long-term home-help for the elderly has been rationed for some time. Trydegård[45] reports that while 16 percent of those 65 and over and 38 percent of those over 80 were receiving home care at the beginning of the 1980s, by 2000, those percentages had been halved. Since the early 1990s, Swedish municipalities have been responsible for providing these services, assuming the care of the very sick who were once cared for in county-run nursing homes. In addition, hospital stays have been shortened, so that the elderly with considerable care needs are returned home much sooner than previously. Although elder care is rationed, it is a large share of municipal costs – 20 percent of their total expenditures in 2003 compared to 12 percent for preschool and after school child care.[46]

There is enormous variation in the proportion of the elderly who are covered by individual municipalities. According to a study, at the extremes, municipalities provided home health services to 5 to 52 percent of their over-80 populations, but half the municipalities provided services to 17 to 23 percent of their elderly populations. Those with low rates did not necessarily compensate with care in congregate facilities. Trydegård and Thorslund[47] conclude that the amount of the municipal provision of care for the elderly is not related to consumer demand, the availability of home health workers or to the municipalities' financial status; they suggest that the explanation lies in historical patterns of care provision.

Municipal home health services are more than previously concentrated on very ill persons, while housekeeping tasks,
formerly performed by municipal elder services, are now expected to be done by family members or, if the family can afford it, are paid for privately.[48] Unlike in child care, there has been considerable contracting out of elder care to large private companies, some of them foreign. Women bear the brunt of elder care work. Ninety percent of municipal care workers are women, and while they earn average wages and are unionized, they generally work somewhat less than full time, leaving them disadvantaged when it comes to pensions and other wage replacement benefits.[49] The situation of those employed by private companies is not well documented.[50]

Brodin[51] critiques these developments as follows:

Since the 1980s, senior citizens' need for care has increasingly been re-interpreted from a public to a private issue with the consequence that today, their need for certain services, in particular those related to housework, are no longer regarded to be a public responsibility but a private matter that the elderly will have to solve, either by buying the services on the market, or, by asking relatives for help and assistance. The main problem connected with this reprivatization of senior citizens' need for care is, however, that as the state has withdrawn its responsibility, women, in their role of being wives, daughters, or daughters-in-laws (sic.), have been forced to step in as informal and unpaid providers of care.

Clearly, public commitment to the care of the elderly — even the oldest of the old — has diminished, while the care burden for relatives and especially women, many of them already working or elderly spouses, has increased. If this core component of the welfare state continues to diminish, support for the welfare state — which currently remains high — is
likely to erode.

On the other hand, with the aging of the Swedish population, it is possible that there will be a counterbalance to this trend because cutbacks in elder care may have political consequences. According to a researcher who follows these issues closely,[52] the Social Democrats, who face a tough election in the fall of 2006, are proposing increases in support for elder care, partly to secure the votes of the elderly, who have traditionally supported that party out of fear they may be pulling away.

**Care for the Disabled**

For decades, Sweden has been a leader in policies for the disabled that aim to enable them to live like others. Most with serious disabilities, including the mentally and developmentally disabled, have returned to community settings, both in small supervised group homes and in independent living situations. Tremendous efforts have been made to provide employment, even for severely disabled people. Strong and active disabilities rights and advocacy organizations have contributed to these developments.

Despite the financial crisis of the early 1990s, there was a new right established to provide full-time care in the community (but not in institutional or group care) for those under 65 with profound physical or mental disabilities not caused by normal aging, and budget allocations at the national level to support it. A unique feature is that the disabled person may choose whom s/he wants as the care provider, and this may include family members. Caregivers who perform this assistance are paid at wages comparable to those of municipal employees.

According to a government report, however, it appears that the proportion of those with less than severe functional impairments are receiving less help than they formerly did,
some of it provided at the municipal level. In other words, like elder care, caregiving is targeted for those with very great needs, while others are receiving less and must rely on family members or pay for help privately. Further, those who are most able to advocate for themselves get more help.[53]

**Summary and Conclusions**

To us as Americans, Sweden still looks like a welfare state leader, with an impressive array of social programs and benefits, though less so than in the past. In our eyes, its high position is partly because of the weakening of many other welfare states, including the erosion in our own nation's semi-welfare state. But partly it is because, despite extensive cutbacks and restructuring in the 1990s, Sweden's welfare state has not been dismantled, though it has been and continues to be changed — sometimes in perilous ways, for instance pension reform, elder care, and the lack of full employment.

How does Sweden's welfare state compare with the past? Much depends on your reference point. When compared to the crisis era of the 1990s, the present looks rosier than if the reference point is the pre-crisis era, because unemployment is lower and some benefit cuts have been partly (though rarely fully) restored. For example, while mass unemployment has abated and is lower than in the mid-1990s, it is substantial and remains considerably higher than in the pre-1990s post-war decades, when full employment was the overriding national goal and the bedrock on which the welfare state was built. Income inequality, while growing, is still modest by international standards, but not when compared to Sweden's own post-war record, and inequalities of other kinds are growing.

It is ironic that after decades when unemployment averaged 2 percent, 4 percent now seems to be the goal — and 3 percent no longer topples governments. A real test of economic policy will come if there is another fairly deep recession.
With the goals of adhering to spending caps and budget surpluses, there could be a return to the policies of the 1990s, with extensive austerity measures and deep program cuts.

We note that these various trends are uneven. For example, the commitment to public childcare is rising while the commitment to dignified public care for the elderly has contracted. The latter change is especially worrisome since it is threatening the goal of women's equality, so central to Sweden's ethos, and it is imposing new burdens on women.

We have no crystal ball with which to predict the future. Obviously, domestic politics are central to the outcome. As we write, the September 2006 elections are in the offing, and the odds are that the non-Socialist bloc will return to power, although its public stance is very different from what was in the 1990s. Indeed, the Swedish Conservatives have even started calling themselves the "New Workers' Party" and they are not attacking the welfare state. Right now, we don't see a genuine social movement to advance the welfare state. One positive sign that the Swedish people can act independently is their rejection by a wide margin in 2003 of the referendum to join the EU's Economic and Monetary Union. The Social Democrats and all of the non-Socialist parties had strongly advocated its passage.

Also essential to what happens in the future are the strength of capital, the actions of labor, and the forces of globalization and Europeanization, all of which will play major roles, as will ideology. The Swedish people still have strong support for their welfare state and may, we hope, restrain future attempts to erode it and even succeed in making it fairer.
Dedication

We dedicate this article to the memory of Rudolf Meidner (1914-2005), economist and an architect of the Swedish welfare state who never lost his vision of full employment, equality and a better life for all.

This is an extensively revised and expanded version of a paper given at the conference, Social Policy As If People Mattered: A Cross-National Dialogue, Adelphi University, Garden City, NY, November 11-12, 2004.

*Sweden has recently changed the way it measures unemployment to conform to EU calculations, and this raises the unemployment rate by 0.3-0.5 percentage points.

**More precisely, 2 percent over a business cycle that includes recession and expansion years.

***While the term the "Swedish (or Scandinavian) welfare state" is generally used to indicate the broad range of publicly provided income supports, health and social services, the social service components are the responsibility of local governments and most of the income taxes are paid at the municipal level.


4. Ibid.


23. Ibid.


39. Ibid., pp. 164-5.

40. Bäckman, op. cit.


42. Statistics Sweden, op. cit.


49. Trydegård, op. cit., p. 66.

Workers Union, email correspondence with Marguerite Rosenthal (April 12).


53. Palme et. al., op. cit., pp. 56-57.