

A woman in a dark swimsuit is captured in the middle of a butterfly stroke in a swimming pool. She is leaning forward with her arms extended, and water is splashing around her. The background is dark, suggesting an indoor pool at night or in a dimly lit environment. The text is overlaid on the image in a white, sans-serif font.

Swedish Social Policy During the Crisis: Toward Retrenchment or Renewel?

Outline

- What is the Swedish Welfare State?
 - Review of it
 - Social programs
 - Social services
- Has Retrenchment Taken Place?
 - Social Programs
 - Social Services

Esping-Anerderson's Typology

- Liberal
- Conservative
- Social Democratic

Liberal

- Means tested
- Low level of support

Conservative

- Conserve hierarchies
- Subsidiary principle
- Moderate levels of support
- Based on social insurances

Social Democratic

- Universalism
 - Problem: not same levels for everyone
 - But same principles
- Social Citizenship
 - Problem: mostly based on insurances
 - You don't need to be a citizen

Decommodification?

- Defined as making people independent of labor to survive
- But social democratic policy based on full employment and encouraging people to work
- Low unemployment and flexibility labor market *was* a key component of the Swedish model
- Feminist critique
- Most theorists only looked at benefits, not services

Swedish social services

- Mostly state-run
 - National health service
 - Home helpers
 - Run by county and local governments
 - Normally get high rankings in public opinion polls

Reforms leading to the economic crisis

- 1985 deregulation of financial and capital markets
- 1990 tax reform

Deregulation of the Financial Markets

- It became easy for capital to leave the country
- Growth rates were similar to other wealthy countries, but inflation was higher
- So people began buying foreign currencies
- Bank deregulation made it easy to borrow money which caused a speculation bubble on housing

Tax Reform

- Progressive tax replaced with a two-level tax system
- Those earning up to a certain income only pay local taxes for the municipality and country (between 29-33%)
- Only those above a certain income (about 30% of the population pay an addition 20% tax on everything ABOVE that income ceiling
- More responsibility given to the local governments, but were not allowed to raise taxes for 3-4 years, so they started laying off people
- They had to pay salaries, but the national government pays unemployment insurance!

Financing the tax reform

- Already mentioned tax freeze at local level (to prevent tax increase at the same time)
- Cut subsidies on housing loans
- Made fighting inflation the main goal NOT unemployment
- So inflation decreased while interest rates increased (since they were no longer subsidized)

Result

- Many people could not pay back their loans as negative interest rates became positive
- That is previously they paid back LESS than they borrowed, now they suddenly had to pay back MORE than they borrowed
- 4 of the 5 banks went bankrupt
- The construction industry collapsed as no new houses were being built
- The Social Democrats lost the election
- Interest rates rose as the government tried to keep the Swedish Crown stable

Changes in the 1990s: Benefits

- Social insurances decreased from 90% to 75%. Then the Social democrats increased it back to 80%
- Change in health insurance: during the first two days one receives less pay; then changed so that one does not receive any pay during the first day
- Pension reform:
 - 3-tier
 - Must invest in stock funds
 - All years are included
 - De facto retrenchment?
 - Nobody joins the private funds when they turn 18, so the private ones will have a crisis in a few decades

Provision of Services

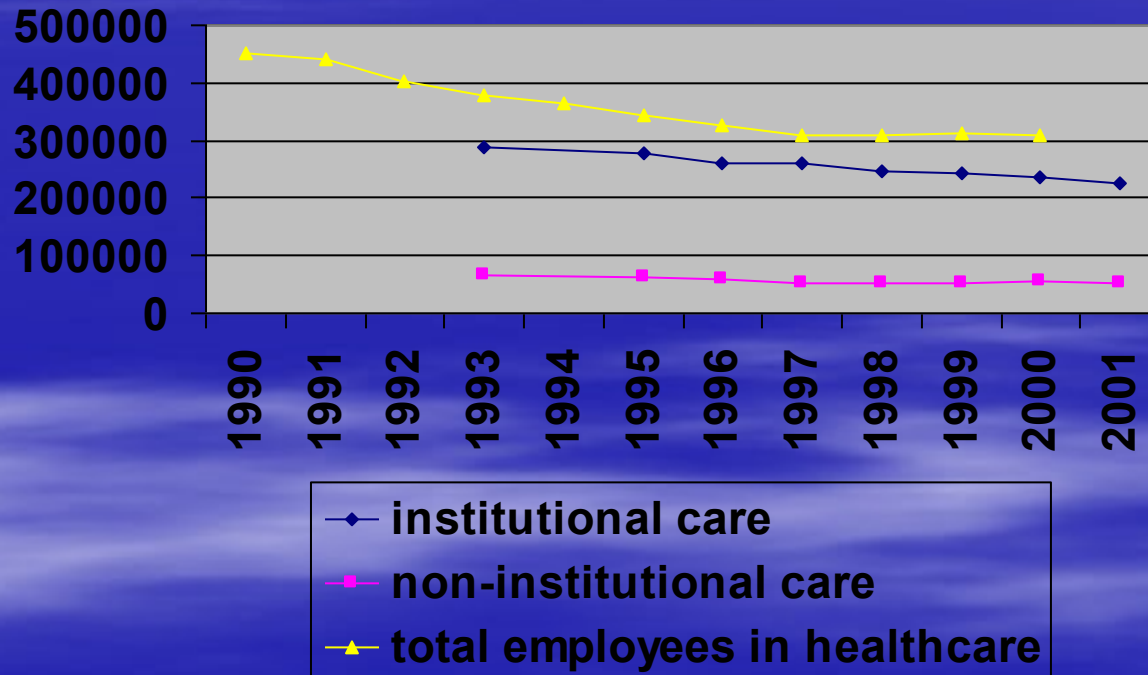
- Tax reform: stop for raising taxes at the local level, but given more responsibility
- Huge cutbacks in healthcare and services
- Increase in students at universities, but decrease in research funding
- Increase in access to daycare and introduction of maximum fee
- Privatization of utilities and trains

Family Policy: Improved conditions

- Increase in parental leaves to 13 months, two father months introduced
- Increased access to daycare
- Maximum fee introduced for daycare

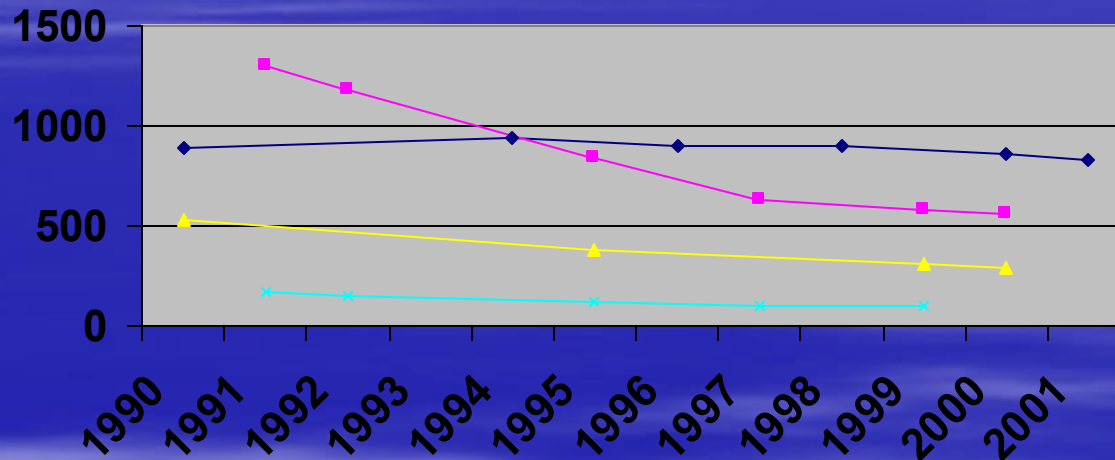
CHANGES IN EMPLOYMENT IN THE HEALTHCARE SECTOR

Number of employees

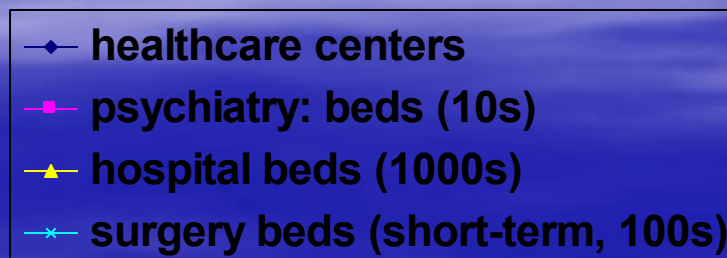


CHANGES IN THE NUMBER OF HEALTHCARE CENTERS AND BEDS FOR CARING

Number of beds/centers



Source: hälso- och sjukvårdsstatistisk årsbok 2002



Privatization

- The biggest nationalization done by the Center-Right governments 1976-1982
- Governments (including Social Democratic) began selling public shares in state enterprises such as the phone company
- Competition for having postal services and trainlines
- Free choice introduced for choosing electric companies and phone companies, etc
- Studies show that services decreased and prices increased. Telecommunications (phones) is the only exception.

Results

- Still relatively generous and universal = social democratic
- Increase in poverty and unemployment
- Decreases in confidence for the future
- Services still popular, but criticized, retrenchment in this area (retrenchment)
- Family policy the big success
- Healthcare sometimes more efficient, but crisis mentality (partial retrenchment)
- Crisis at the universities (growth but worse conditions, so partial retrenchment)

Most recent Changes

- Changes right after the elections
- Recent trends
- Most recent crisis measures

Unemployment insurance

- Increase in fees (at most 300 crowns/month)
- ***Had to decrease them again, because too many left the insurance***
- Continued union control
- Most work 80 hours a month instead of 70 to qualify
- Can be forced to look for jobs outside of one's profession even during the first 100 days
- After 200 days compensation decreases from 80 to 70%
- Limits on length to 300 days
- Students lose right

Labor market

- Right to a permanent position after two years instead of three
- Lower social insurance tax for some services, like house cleaning
- Take away demand that all jobs must be announced at the employment agency
- Changes in unemployment insurance
- Questioning of seniority rules for laying off

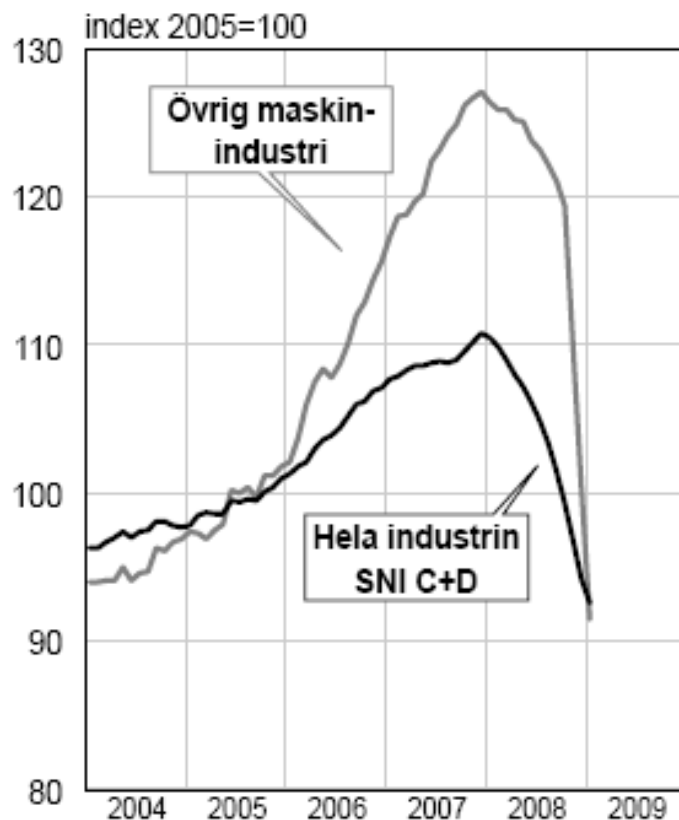
Tax Policy

- Lowering social security tax for service sector
- Modest tax cuts
- Elimination of wealth tax
- Elimination of property tax
- But increase in tax on profit for selling house, local tax per house at fixed rate

Decrease in Production

Industriproduktionsindex 2004–2009

Säsongrensade månadsvärden utjämnade med tremånaders glidande medelvärden



Change in Trade

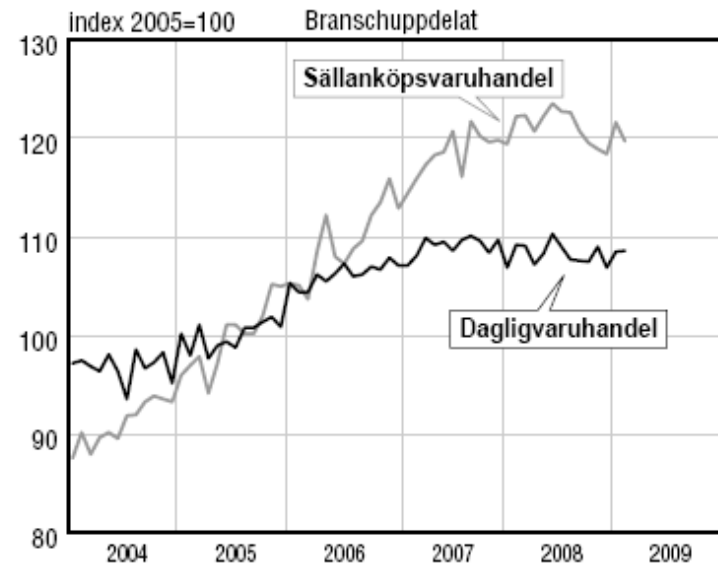
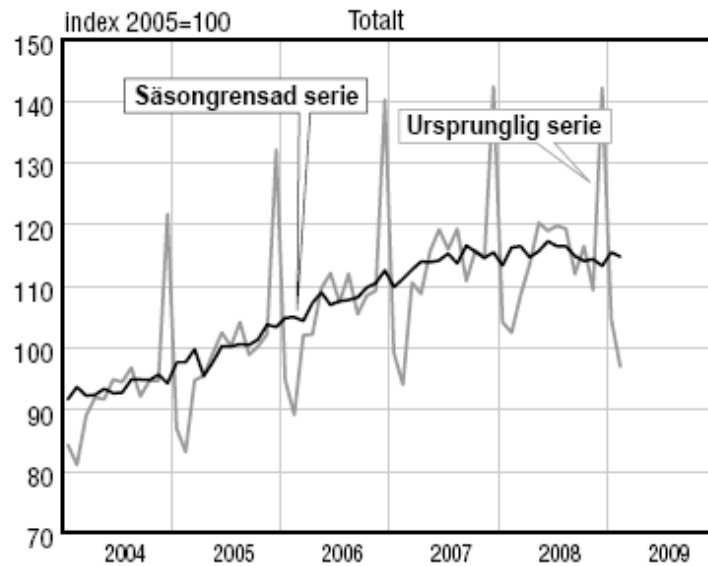
Export och import av varor samt handelsnetto 2004–2009

Säsongrensade månadsvärden i löpande priser. Trend. Miljarder kronor



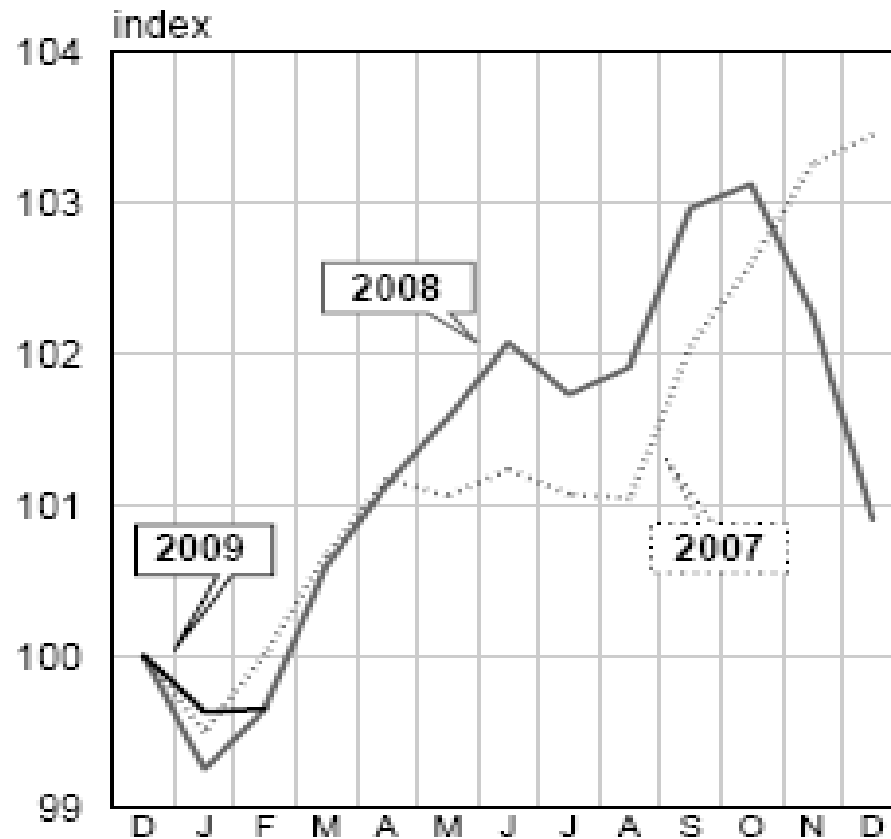
Change in Sales

Försäljningsvolymen inom total detaljhandel Säsongrensade månadsdata

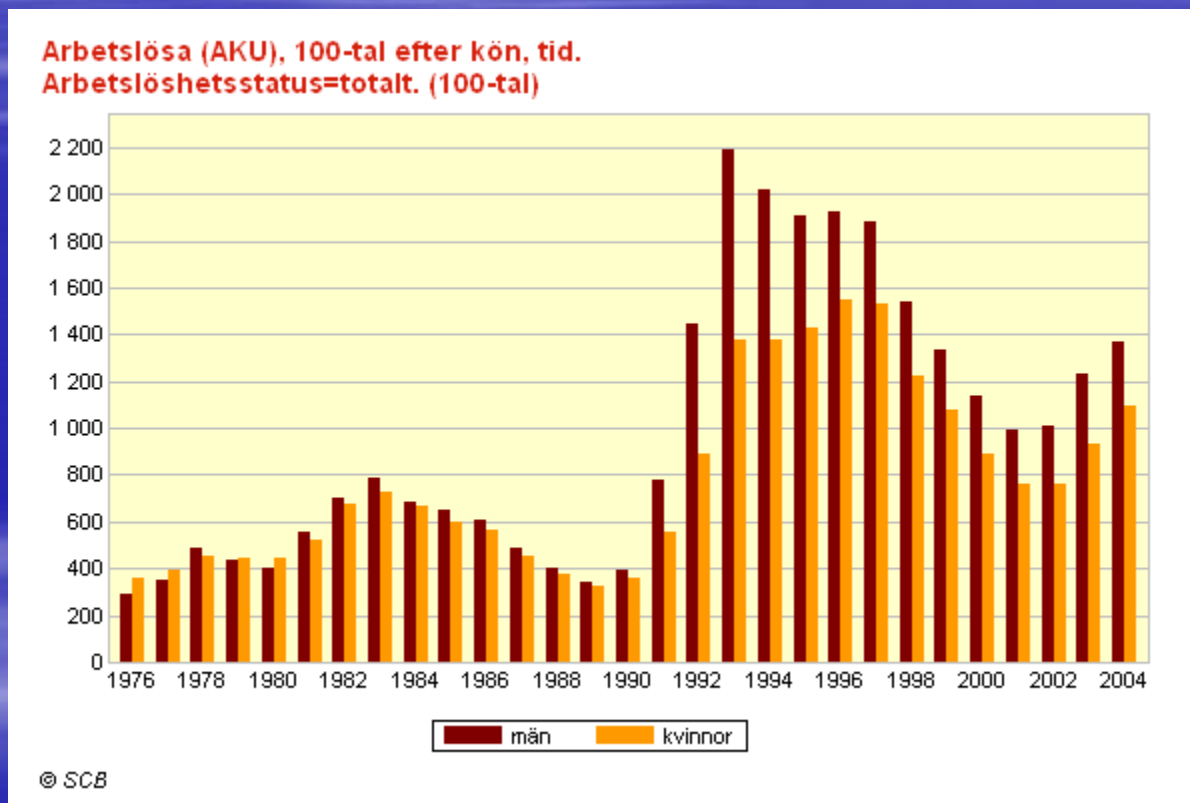


Changes in Prices

Konsumentprisernas utveckling December föregående år = 100

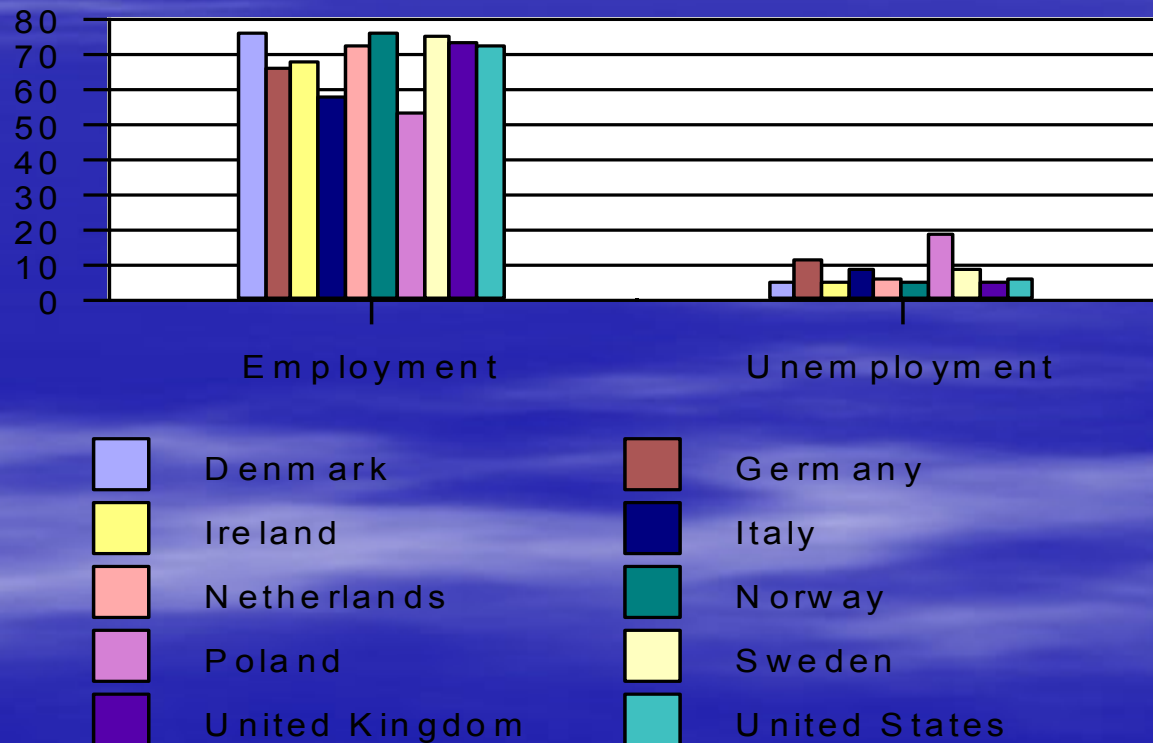


Number unemployed 1976-2004



Comparative Employment Statistics from Before the Crisis

oecd employment stats



Most Recent Changes after the Crisis

- Measures for jobs and adjustment worth a total of SEK 8.4 billion in 2009.
- Proposal to allow employers to defer tax payments in certain cases. At an estimate, this measure will cost SEK 460 million. Together with previously announced reforms, this means that the Government will put a total of SEK 41 billion into measures to respond to the crisis in 2009.
- Tax credits for repairs, extending infrastructure and making it cheaper to employ people who have been unemployed
- Proposal to give the local authorities a temporary grant of SEK 7 billion to be used in 2010 (too late?). For 2011 and 2012 the local authorities should receive SEK 5 billion more than presented in the 2009 Budget Bill.
- Doubling the deduction to employers who recruit a person for a new start job. The previous compensation level was equivalent to the employer's social security contribution. The employer will only pay about half the cost of these people's wages.

Support to the automobile industry

- The Government intends to conduct research and development and other activities in the automotive industry in the form of a limited company, and to provide this it with capital amounting to SEK 3 billion.
- The Government is proposing state credit guarantees to companies in the automotive industry to raise loans in the European Investment Bank for conversion to green technology. The credit guarantees can total a maximum of SEK 20 billion.
- The Government proposes rescue loans of up to SEK 5 billion for companies in the automotive industry that are in acute economic crisis, operate in Sweden and have sales in excess of a half billion kronor.

Conclusion

- The generous, social democratic welfare state is still in tact
- The main retrenchment was in services not in benefits, although pensions have worsened and become more marketized.
- Privatizations and deregulation have done poorly except in the telecommunications sector.
- So far the crisis in Sweden has been relatively mild and no radical changes have been proposed, but there has been an increase in state subsidies to industry.
- Some think that the state should give more support. Nobody is saying that the state should not have made market liberal reforms.