

RESEARCH - ANALYSIS - SOLUTIONS

# CCPA REVIEW

Economic & Social Trends

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## Lessons From Sweden

Despite its enviable and long-standing status as one of the most egalitarian of capitalist nations, with one of the highest standards of living in the world, Sweden seems to only receive media attention when some vested interests want to suggest that even those nations most committed to equality are abandoning the state in favour of freer markets. However, while there is a great deal to learn from Sweden (and the other Nordic lands), media accounts which only focus upon some narrow policy instrument change or 'social experiment' are often quite misleading. These developments must be understood within broader social policy domains

and situated within the framework of the welfare state and the broader societal context. From this vantage point it is clear that the public sector still plays a very central role in Sweden today. There certainly have been changes to the Swedish welfare state over the past two decades and, in some areas, inequality has increased. However, other social policy areas have expanded and other forms of inequality continue to steadily decline. Like the other Nordic lands, Sweden has been considerably more resistant to the 'imperatives' of global integration.

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## The 'Swedish Model' and the Swedish Welfare State

Although it has been defined in a variety of ways, the 'Swedish model' has been generally associated with a strong commitment to full employment, greater social equality, the abolition of poverty, and a high level of social security. Sweden's celebrated and elaborate welfare state has been a central means of pursuing these goals. From a comparative perspective, it is more comprehensive and supportive, protecting residents of Sweden from a wider range of social contingencies and earnings interruptions. Thus, in addition to familiar income security programs, such as old age, unemployment and disability insurance, Swedish residents are also entitled to child allowances, pregnancy benefits, sixteen months of parental leave (and three more months of unpaid leave), paternity benefits which allow fathers to stay home with their families after the birth or adoption of a child, ten paid 'contact days' per child/per year to enable parents to take parental training courses and help their children adjust to childcare or school, sickness benefits which allow parents to care for their children at home when they become ill, sickness insurance to cover lost earnings for the duration of an employee's illness, and a statutory five-week paid vacation, among many others. And these programs typically provide higher benefit levels, allow easier access, and have fewer restrictions and considerably longer benefit periods than those in most other nations.

Finally, the Swedish welfare state also furnishes a throng of high quality social services, including childcare, labour market training programs, post-secondary education, and health care as entitlements.

## Sweden's socio-economic indicators

It is well-established that the Swedish welfare state has been a central reason that the country is routinely ranked among the most egalitarian of nations. The percentage of the population that is middle class in Sweden (71%), for example, is considerably higher than in Canada (59%) or the US (50%). And, contrary to the American 'rags to riches' myth, social mobility rates are higher in Sweden than in the US or Canada. Sweden's poverty rate remains among the lowest in the world today (about half the Canadian rate and less than one-third of that in the US). Poverty rates among vulnerable groups are especially impressive. Sweden's child poverty rate, for example, is only about 4.0%; the rate is almost 4 times higher in Canada, and well over 5 times higher in the US. Poverty rates among single parents follow the same pattern: 9% in Sweden, 42% in Canada, and almost 50% in the US. (The other Nordic lands, which have similarly elaborate welfare states and commitments to greater equality, typically perform well too; Finland's child poverty rate, for example, is under 3% and its level of homelessness is among the lowest in the advanced capitalist world). And, while those who do live in poverty in the Nordic lands should not be discounted, they are typically not in the same kind of desperate straits as their North American counterparts; their poverty is not as 'deep' (as far below the poverty line), and they have a much wider range of public support programs to rely upon.

Most of Sweden's public programs are provided universally, as a legal right, to all long-term residents. From the Swedish perspective, access to health care, childcare, education, a good

quality of life in old age, and so on, should not be solely dependent upon one's employment status or income level. And measures such as Sweden's childcare program not only ensures high quality care for children, it also helps account for the nation having the highest percentage of females in parliament (47%) in the advanced capitalist world. Out of a total of 189 nations, Canada ranks 49th (with 21%) and the US a dismal 70th (with 16%), below many developing nations. Women's income as a percentage of that received by men in Sweden is also among the highest in the world and considerably higher than in North America. Sweden's approach thus goes well beyond a humanitarian commitment to the alleviation of poverty, deprivation and suffering, conditions which have become increasingly tolerated, if not yet entirely acceptable, for many here.

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## **Like many Canadians, Swedes are astutely aware that promises to cut taxes constitute a threat to cherished social programs and living standards.**

In the US 'freedom' is understood in a classical negative sense, as 'freedom from'. It is typically interpreted as 'freedom from the state' and from taxes. In Sweden and the other Nordic nations there is a more positive understanding of freedom as 'freedom for'. There it is strongly and widely held that the state should be free to

provide greater opportunities for its residents. Of course, none of this comes cheaply; total social expenditure, as a percentage of GDP, is more than twice as high in Sweden than in either Canada or the US. And Swedes pay significantly higher income and sales taxes than do North Americans (Swedish corporate taxes have been low by international standards). However, contrary to what we are constantly told by right-wing think tanks and the media, higher taxes and supportive social programs do not necessarily impede the development of markets. Indeed, the Nordic nations have typically surpassed relatively free market nations such as the US, the UK and Canada on most measures of economic performance.

Interestingly, unlike in the US, where taxes are actually quite low, there is little 'tax backlash' in Sweden and the other Nordic lands. Higher taxes are widely viewed as an acceptable price for a safer, cleaner, more egalitarian and more civil society, and as a central means of promoting the freedom of Swedish residents via the wide range of benefits they furnish. And, like many Canadians, Swedes are astutely aware that promises to cut taxes constitute a threat to cherished social programs and living standards. This helps explain why the Social Democratic Party (currently out of office) has held power for almost 65 of the past 74 years in Sweden; it has typically lost power when it has not stood firmly behind electoral promises to further equality.

Like most other capitalist nations, Sweden went through tough times during the recession of the 1990s but its economy is doing well again and unemployment has come down. Critics correctly point out that Sweden's true unemployment level is somewhat 'hidden' because a significant

proportion of the unemployed are enrolled in labour market training programs. But the people involved in them are not idle, and they are being prepared for re-integration into the market. In the US, in contrast, it is the penal system that has functioned as a kind of alternative labour market institution. Mass imprisonment in the US – approximately 4.5 times the incarceration rate in Canada, and 7.5 times that in Sweden – has served to conceal unemployment there.

To be sure, there are several lessons to be learned from the Nordic nations. In North America there is no cliché more tired or trite than the assertion that we can't solve our social problems by 'throwing more money at them'. (It is interesting that this logic is never applied to the private sector, where we are encouraged to mindlessly and endlessly consume. Nor would we ever suggest that we can't address our families' hunger by throwing money at groceries). Of course, what matters is not only how much is spent, but how it is spent. The Nordic nations demonstrate that expenditures on comprehensive and co-ordinated packages of income support programs, social services, education and other public, preventative measures, along with protective social legislation, can greatly reduce poverty, many social inequalities and other social problems inherent in capitalist society, and foster greater security and solidarity. This is money well spent. The next time someone proposes that we look to Sweden or the other Nordic nations

and adopt their approach, we should take them up on it and really follow through.

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