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Hetzler, Antoinette

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LUND UNIVERSITY

PO Box 117  
221 00 Lund  
+46 46-222 00 00

DEPARTMENT OF SOCIOLOGY  
LUND UNIVERSITY  
SWEDEN

# Sweden – Cultural and institutional dimensions of developing and reforming social security systems

Antoinette Hetzler

Department of Sociology, Lund University, Sweden

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## **Introduction**

Development and reformation of social security systems are traditionally explained in Sweden through eye glasses tinted with a utilitarian perspective. The utilitarian perspective promotes an ideology of rational, pragmatic decision-making as well as an economic view of the actor. Together these aspects of the utilitarian perspective result in viewing political-institutional structures of policy-making as arriving at consensual solutions. Policy-making is thought of as promoting the best interests of all involved. Very little attention has been given to cultural considerations as sources of resistance or sources promoting social change. Such models are rarely used in Sweden to explain policy decisions. Instead a concept such as legitimacy as a demarcation of acceptance or non-acceptance of political- institutional change is used to denote reactions to changes in social security systems.

However, the concept of a political-institutional sphere as a separate entity, incorporating the national state, but different from a cultural sphere describing society and a motivation sphere describing the individual, needs to be analyzed as external pressures of global macro-processes reveal weaknesses in the restricted ways Sweden understands the mechanisms of the political-institutional policy-making sphere.

**Sweden.** The population of Sweden 2009 is 9,3 million people. The country is the third largest country in Western Europe (174,000 sq miles). The longest north-south distance is 1,000 miles and the longest east-west distance is 300 miles. The population density of Sweden is 21/km<sup>2</sup>. The life expectancy in Sweden for men is 78 years and for women 83 years. The form of government in Sweden is a constitutional monarchy and a parliamentary democracy. Sweden is a homogenous country with 87% of its population born in Sweden. The church of Sweden is Evangelical Lutheran but Sweden is a very secularized country. Sweden is divided into 21 provinces with own specific histories. There are five recognized ethnic minorities in Sweden: the Sami, Tornedal Finns, Swedish Finns, Roma/Gypsies and Jews.

This paper opens with a presentation of the cultural and institutional specificities of Sweden and how these cultural and institutional specificities impact the development of the Swedish social welfare system. Because a utilitarian perspective, a consensus building of the “right way”, is a basic ingredient in the development of the “social-democratic welfare state”, this section of the paper will try to untangle cultural specificities of Sweden and the ideology produced by the political-institutional structures of the state used to gain support for policy-making concerning social security. This section of the paper also treats the first phase of the development of the Swedish welfare state. The first phase is a period traditionally seen as concentrating on

industrialization and modernization.

Traumas of the first oil crisis of 1976 followed by de-valuation of the Swedish currency and financial de-regulation during the 1980s led to a forced global realignment of Sweden in the 1990s. The result was a referendum to join the European Union and a sacrifice of the goal of full-employment in order to establish the goal of containing inflation. Rising costs of social security together with a rapidly expanding public sector started being discussed as a national problem. A necessity to change the social security system during this period was first acknowledged within the political-institutional sphere. Within this turbulent period the cultural specificities of Sweden began to become apparent as resistance to political-institutional change increased. These impulses for social security change and the resulting reaction are discussed in the second section of the paper. This second period of welfare state development and reaction is seen as a period of transition and crisis and I describe it as the period between 1979 and 1997 in Sweden.

Swedish cultural specificities, although always bubbling below enforced change, erupted first when voters in 2006 deserted the social democratic party and voted in a “New Workers” Alliance, a consolidation of four traditional political parties situated to the right of the Social Democrats. The third section of the presentation takes-up this period of discontent and analyzes its impact on the development of the Swedish social welfare system as well as how changes in the social welfare system affect the social partnership between the state, labor and capital. This is a period, I term as a period of strategic adjustment.

The conclusion of the paper draws together the implication of the interdependence between culture, institutional and political structures in maintaining a generous system of social security in Sweden. It suggests a new view of the relationship between culture and social welfare systems, which questions the ability of neo-liberal ideology and political-institutional alignments to succeed if they abandon traditional cultural and institutional demands of balancing the dual social security goals of efficiency and equality.

## ***Cultural and Institutional specificities of Sweden and the development of the Swedish Welfare State***

***Cultural Specificities*** Swedish traditional culture casts the Swedish people as intrinsically democratic and freedom loving. A recent study of culture and leadership across the world depicts the Swedes as fundamentally individualists, with a great concern for fairness and the well-being of others. Among a comparison of 61 countries Swedes ranked highest on collectiveness yet lowest on in-group collectiveness. (Culture and Leadership across the World, Jagdeep Singh Chhokar, Felix C. Brodbeck, Robert J. Houses, 2007). This seemingly cultural contradiction can be accounted for by defining the Swedish culture as “socially oriented individualism.” Swedish people make a strong distinction between the private and the public sphere. Although Swedes value the individual, his freedom and needs, he sees realizing his ambitions as being in sustaining others by his work and energy through organized activities. Sweden

is a society that values institutional arrangements rather than inter-personal relationships. These institutional relationships can vary from day care centers for pre-school children or municipal care of the elderly instead of reliance on family relationships to provide such *services*.

It is often thought that Swedish culture developed the peculiar mix of public allegiance to collective solutions combined with independence and solitude on a private level because Sweden was a nation dominated by small farmers who unlike other countries at the time (late 17<sup>th</sup> century) often owned their own property. Although not having much, Swedes had strong principles of right and wrong, moderation and equality. Hard work was seen as a praised value and religious beliefs, backed by a strong Protestant<sup>1</sup> work ethic, motivated generations of Swedes to work hard to support themselves, their families and those defined as truly in need.

Lars Trägårdh a Swedish historian anthropologist, for example offers an explanation for the cultural characteristics of Sweden's ethos of modern democracy by tracing it back to the legacy of the unique position of the Swedish peasantry. He means that by escaping feudalism and being recognized as a separate estate in early Parliament (16<sup>th</sup> century), the peasantry established an enduring alliance with the quasi-absolute monarchy against the nobility. As important to Swedish culture as the land-owning peasant was the detested nobility. Thus political culture in Sweden took a far different turn, according to Trägårdh than it did in other countries. Instead of generalizing bourgeois privilege, the organizing principle was one of leveling differences, of eliminating extended privileges and special rights instead of expanding them. Trägårdh states that "ultimately it was a process of universalizing the egalitarianism of the peasant community. Of reducing noble and bourgeois "rights" until there were but "peasants" - "the people" – left.

A radical change in transition from an agrarian production culture to industrialism showed itself later in Swedish history as compared to other Western European countries. The first industrial revolution began about 1850 and had its roots in the agrarian sector. At this time Sweden had 3,5 million inhabitants and 80 percent were engaged in the agricultural sector with only 10 percent of the Swedish population living in the cities and thus industries existed in the countryside. Poor harvests along with national economic recession contributed to mass emigration of Swedes in the second half of the 19<sup>th</sup> century. The turmoil of the beginning of the 20<sup>th</sup> century<sup>2</sup>, when Sweden entered the industrial age, occurred within the uncertain perspective that farming was no longer able to support the population and many family members were forced to move into the cities to find work. Farm peasants became the working class, yet still carried with them the strong ideas of independence, and equality between classes. Class differences made it vividly reminded as peasant land owners were forced off their farms and new industrialism offered low wages to the new working class.

Thus the foundation for the welfare state was well prepared within the traditional culture of the Swedish society. The consistent explanation found in Swedish research is that the Social Democratic political party in the 1930s was

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<sup>1</sup> In 1593 the Swedish church adopted the Confession of Augsburg and turned from being a Catholic country into a Protestant one.

<sup>2</sup> The second industrial revolution in Sweden started around 1890 and this industrialization became more focused to the cities. (Ekonomifakta 2009, [www.ekonomifakta.se/en](http://www.ekonomifakta.se/en))

able to build upon traditional Swedish culture (half myth and half institutional reality according to Trägårdh) within the period of state nationalism following World War I. Through a series of negotiations, the Social Democratic political party was able to strike an agreement between the farmers and the workers parties during the early 1930s. Thus the Social Democratic party was able to take over both the position previously enjoyed in folklore by monarchical statist as well as the populism garnered by the farmers' movement. In this way the Social Democratic political party was able to present itself both as the party of the state and also as the voice of the people's movement. The first Social Democratic prime minister of Sweden, Per Albin Hansson, captured cultural roots when he defined Sweden as "The Peoples Home."

This very interesting period of change accompanied the Swedish society movement into modernism. It also is a period that helps explain the uniqueness of the Swedish Model, Swedish modernism and the Welfare State. As mentioned, it was well accepted in Swedish cultural tradition to see the king/state as an ally against the upper classes. The unity and the rise in power between the farmers and the workers movement symbolized a democratization of the political system. At this time, what was known, as "civil society" was not thought of as a safeguard to freedom and protection against the power of the state. Instead, in Sweden, the state is of tradition seen as a positive force, as having legitimacy and as having a leading role to play in eradicating the inequalities and remaining privileges of the upper classes. (Trägårdh, 1999). Traditional societal institutions such as family, church and charity organizations were looked at as repressive structures based on inequalities and dependencies and should be replaced by an egalitarian social order. An order that did not renounce differences but was convinced that consensus was possible and where finding a consensus was more apart of success than aggressively pushing through one's own opinion against the will of others. This period marking the 1930s with world depression and the advent of another world war, was, in Sweden a period of the rise of "social engineering." The social-democratic state laid importance on science and technology and the use of experts. Science, technology and experts were thought of as mechanisms of neutrality and not instruments of control. Pragmatism shaped the basis of consensual decision-making. At the same time the Stockholm School of Economists pushed for deficit spending and an active role of the State to avoid consequences of high unemployment during the depression. Neutrality in the face of war allowed Sweden to escape occupation during the Second World War

Thus the Anglo-Saxon division of positive and negative liberty captured by Isaiah Berlin (1959) focused on "negative rights" of the citizen against the power of the state. This view has no legitimate basis in Swedish culture. Instead the state is seen as the dispenser of "positive rights" where social rights encompassed within the welfare states are the latest in a series of rights guaranteeing both equality and a reasonable living standard to all residents of Sweden.

### **Summary of important cultural specificities.**

This is a very short description of cultural specificities influencing the Swedish population and how they became incorporated into modern Swedish political culture. Of course, the narrative can be developed further and has by a number of very good scholars. I have focused on the points I deemed important for growth of the welfare state. In summary we can say that Sweden is a homogenous country with 80% of its people born in Sweden. Swedish culture is characterized by:

- Equality



- collective decision-making
- Pragmatism
- Protestant work ethic
- Social movements
- History of small peasant land owners and the absence of serfdom
- Socially oriented individualism

***Institutional Specificities.*** As mentioned above, the social democratic party managed to harness the cultural essence of Sweden, winning elections in 1932, and bringing about what is known as the “Swedish Model”, the original “Third Way.” The Swedish Model describes the relationship between labor and capital and the main driving force of the Swedish Model was the labor movement composed of both the Social Democratic Party and the umbrella blue collar workers trade union. (Landsorganistion, LO). A landmark in the development of the Swedish Model was the 1938 “Saltsjobad-agreement” .The agreement can also be viewed as showing a common acceptance on the “need for industrial rationalization/restructuring and egalitarian wage policies” (Fischer, 2006) The agreement secured a stable wage relationships for workers in exchange for peaceful working relationships. It contained rules on collective bargaining, industrial action, disputes threatening the public interest and dismissals (ibid p.2).<sup>3</sup> The agreement between labor market partners made it unnecessary to use laws and political pressure to regulate the labor market. At the same time, the state, was a silent third partner to labor and capital, and embarked on a program of centralizing de-commodification programs into a careful blend of market capitalism with strong labor protection and a generous welfare state. It was this development that enabled Per Albin Hansson, Social democratic Prime Minister to call Sweden the Peoples Home (folkhemmet). This unique blending of workers security and working conditions by relying on collective bargaining between central actors representing employers and associations of trade unions worked well up until the 1970s. A tax paid by employers financed in large part the social security system in Sweden. That is, majority of costs for social security were originally paid for by the fruits of production directly by the employer instead of through taxation of wages. In exchange, workers demanded less in wage increases for the development of social security administrated by the state. And employers were able to maintain a highly competitive position with other countries by paying lower wages. The unions themselves controlled the unemployment insurance. Members of the unions paid a tax to the unions for unemployment protection. During the 1950s, two labor economists, Gosta Rehn and Rudolf Meidner, were at work with further development of the Swedish labor model. The resulting model aimed at simultaneously achieving low inflation, low unemployment, high growth and equal distribution of income (Fregert and Jonung 2005).

Magnusson (2007) points out that the Rehn-Meidner model was based on three pillars: 1) a need for a balanced economy to exist with low inflation; 2) trade unions should implement solidaristic wage policy both within and between sectors, thus routing out firms with low profitability and promoting competitive intentional firms. Employment is emphasized by increased growth and rising productivity; 3) public authorities would take over responsibility for

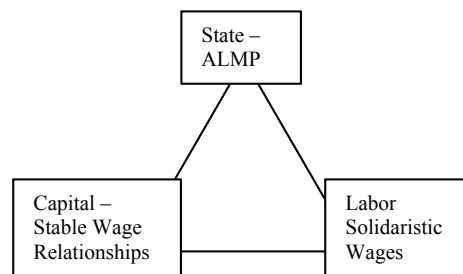
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<sup>3</sup> The rules on dismissals have since the middle of the 1970s been covered by legislation

unemployment by re-integrating displaced workers back into the system by means of an active labor market policy. This is the corner stone of the Swedish labor model and is known as the “work line”, an active labor market policy that has been defended by the social partners although there are different interpretations of what is the “work line”, education and re-training or work-fare strategies including cuts in welfare and more private initiative.

Furthermore, Magnusson means that the Swedish model has helped to create a “matrix of relations” between central organizations on the labor market”, a type of platform for institutionalized collaboration. The question remains, why in Sweden did the partners decide on structural adjustments and active labor market policy. There could have been a number of outcomes of the three-part system such as alliances or support for different industries or the development of protectiveness to hinder competition. Magnusson points out it is not so easy to understand why Sweden took the road that they did, but it lies again within the cultural tradition to chose a road that shows common understanding and that there is more to gain by openness than protection in a country with a small economy.

**Summary of important institutional specificities.** The institutional arrangements negotiated by the Social Democratic government specified arriving at a consensus and also giving both labor and capital a decided social part to play. What looked like a self-inflicted minimal role for the state was instead a silent but very important role. The role of the state in instituting Active Labor Market Policy gave the state the power to build a welfare state with both de-commodification processes for people with no work capacity left (old-age pensions, early pensions for the ill and the disabled) as well as active training programs for re-skilling and re-education of workers unemployed because of rapid structural changes in Swedish means of production. It is useful to see the establishment of institutional specificities as best represented by



a triangle showing the interrelationships between the roles of the State, Capital and Labor in establishing social security while maintaining growth and employment. The traditional Swedish institutional cultural collaboration necessary for a Swedish model is characterized by:

- Collective bargaining
- Egalitarian wage structures
- Active Labor Market Policy
- “Creative destruction” (unproductive firms – out of the market)
- Efficiency

## **Comments on cultural and Institutional specificities and the development of the first phase of the Swedish welfare state.**

The social-democratic welfare state of Sweden has been called a “regime” in typologies of various welfare states. It is popular within theoretical work on the causes and development of different welfare states to compare national states as going through three different period or phases of evolution.

The first phase concentrated on processes of industrialization and modernization. The relationship between the state and the market were seen as primary institutional structures affecting social change. This period, usually defined as between 1960 and the mid 1970s, termed the postwar welfare state, focused primarily on programs for economic security, health, housing, education and social services. Some define this period of the emergence and growth of the welfare state as the “golden age” of the welfare state. Analysis during this period concentrated on the amount of expenditures on social policy in the differing states as well as the method for defining beneficiaries of social policy programs.

Yet it is obvious that this period in Sweden actually started before World War II. The basis of a welfare state with positive enlargement of social rights was a continuation of egalitarian established social movements. The use of collective bargaining to gain allegiance to stable and profitable collective wage relationships without the use of legislation was suited to the traditional Swedish culture of independence and the idea of a security in the ability to reach a consensus and take risks.

## ***Impulses for social security change and the resulting reaction***

By the 1970s, labor was not satisfied with the advancement of economic democracy through the use of collective bargaining. They insisted on stronger labor rights through legislation and complained that advancement of economic rights could not be reached through collective bargaining because of interests and power differentials between employers and employees.

A series of laws were passed by the social democratic government in the middle of the 1970s. These included co-determination at the work place, inhibitions on the employer’s right to fire workers, a far-reaching work environment law demanding that the work place and work process be designed after the worker. A new work-injury and sickness law was introduced. These legal changes were met with strong reactions by employer’s organizations. But what was most irritating to the process of collective bargaining and most damaging to building consensus of work conditions was the introduction of Workers Fund. The funds would be built-up by an excess tax on profits in industry and used to invest in ownerships of stocks of companies.

Legal intervention by the Social Democratic government into labor relationships changed the balance of power between capital and labor and threw a wrench into the consensual organization of collective bargaining. Capital was not satisfied. At the same time the labor intense manufacturing sector of the Swedish economy was losing ground to the service sector and the new middle class did

not necessarily see himself or herself as part of the larger working class. In 1976 the Social Democratic party lost the elections to center and right parties and did not regain power until 1982.

The second phase, the welfare state in transition and crisis, was a period of constant debate of the future of the welfare state. The political and the trade union arms of the social democratic party were divided about the best ways to promote efficiency without sacrificing equality. The debates continued throughout the 1980s and into the 1990s. The state's inability to finance increased demands for services, led in other countries to the concept of the "mixed economy of welfare". Economic limitations, or the crisis of the welfare state, were argued as reflected in increased unemployment, demands of an ageing population and criticism both of paternalism and the increased inefficiency of the state bureaucracy. The "mixed economy of welfare" became an answer to the criticisms of state abdication from its responsibility for promoting individual and collective welfare. With the "mixed economy of welfare", the welfare state could be viewed as being in a period of transition, heralding a return to what was termed the "original values" of the welfare state (Beveridge, 1942, 1944; Titmuss, 1950, 1960). The "original values" were thought of as being fundamental human values such as seeking to provide justice and equality and as being geared to promoting the well being of its citizens (Sherer, 1987 p. 290). The mixed economy of welfare provided an organizational framework to see welfare as being divided between the public, commercial, voluntary and informal sectors in the production and financing of social welfare. Opening up the production of welfare provided a necessary wedge for the promotion of a pluralistic approach to social policy that also limited the responsibility of the state. Liberals at this time often argued that the responsibility of the state is the planning, regulating and financing (where appropriate) of social welfare rather than producing it (Judge, 1987 p. 30).

In the second period, the period of crisis for the welfare state, a number of global processes were also occurring. Sweden, during the first oil crisis of 1976 kept up a policy of full employment through deficit spending. During this period, Sweden, under the social democrats enlarged employment in the public sector, building day care centers and encouraging the two-wage earner model for the family. Social security programs and coverage were being expanded. When the social democrats regained power in 1982 one of their first measures was to de-value the Swedish currency with 16 per cent as well as deregulate the banking sector. This led to an over heated labor market at the end of the 1980s with the lowest unemployment ever recorded in Sweden, about 1 per cent. Deregulation of the banking system, because of unsound and non-regulated lending practices led to a bank crisis in the early 1990s. This was rapidly followed by speculation against the Swedish currency. At the same time neo-liberalism economic thinking gained a firm place in all the welfare states including Sweden. Discussion of the relationship between the state and the market was once again on the agenda as the word "Eurosclerosis" appeared. Quite simply this phrase meant that all well-developed welfare states had problems maintaining their economic growth, keeping up production and their standard of welfare. The reason given by neo-liberal economic theory was that a welfare system crippled competition and broke down the individuals natural inclination for work. The result was, according to neo-liberal theory, that countries with a developed welfare system were forced to devalue their currency, and run a budget deficit to pay for welfare especially if the country wanted to repress wages in order to compete with other countries. Thus it was seen as only a question of time before welfare states – because of being inefficient according to

a “pure-market model” would be forced to change national institutions and converge towards the “best practices” found in other countries. (Schettkat 2001).

In this second phase of the development of the welfare state, the Swedish social democratic welfare model faced a major dilemma. How is it possible to maintain equality among workers and also efficiency in managing state finances? De-commodification processes had come to the end of the line, subsidized employment likewise. Alliances with the European Union meant a split between the cultural heritage of a “Peoples Home” and the demands required for European Membership. The State must now play the role of cutting back on measures of equality to meet demands on central banks to hold back inflation.

### **Did culture play a role in changing Social Security?**

Social security in Sweden was a part of unique processes of modernization. The welfare state was a part of the Swedish Model governing wage and work relationships, built on collective bargaining and striving towards economic growth and the promotion of equality. Efficiency in the model was seen as promoting the common good, increased prosperity, as well as equality and freedom of the individual. This balancing act during the 1970s and 1980s was threatened by the labor unions who were impatient by the slow pace of economic democracy and pushed for legislative changes advancing both workers rights as opposed to employers rights and workers job security and income protection. One can say that the demands from the working class were indeed based on the tradition of alliance with the monarchy against the nobility and the assumption that the state was not doing enough for the workers. At the same time, an over-emphasis on equality at the price of efficiency was against the cultural tradition of “lagom”. That is, change should be sufficient and not over-done.

The social democratic government once again lost power to a right wing minority government in 1991. Before losing power they made a number of changes that went against traditional cultural practices. It is possible to view some of these changes as an attempt by the social democrats to re-state a balance between the goals of efficiency and equality. They began preparation for application for European Union membership; they changed priority of government from a prominent goal of full employment to a goal of fighting inflation and most of all they set about changing the nature of the welfare state. The party of the people began to stress efficiency over equality. This happened in four different steps, started by social democrats when they returned to power as a minority government in 1994:

- a change in the concept of welfare
- change in the number of individuals entitled to economic compensation
- increase distance between lowest paid wages for work and amount of social assistance
- re-definition of the concept of employment

Re-structuring of the manufacturing base industries had traditionally been accomplished in Sweden through the use of weeding out jobs that competed through the use of lowering wages. But at this point in the development of Sweden, it was no longer possible to re-train all the unemployed and match skills with new growth industries. This meant that the number of individuals on early pensions and on long-term sick leave began to rise at the end of the 1970s.

Systems of de-commodification expanded. By the 1990s, the government also embarked on a rapid expansion of institutes of higher education in the 1990s which functioned to absorb a number of the unemployed. One can say that the failure of traditional Active Labor Market Policy struck a blow against the traditional idea of the “work line” and low rates of unemployment. As the rates of the long-term ill and the early pensioned began to rise dramatically at the end of the 1990s, traditional cultural understandings of full employment and government security were severely weakened in the Swedish society. So too, was the concept of the social democratic government as a silent partner guaranteeing income through generous welfare systems in times of readjustment, weakened. That is, at the end of the second phase of transition and crisis of the welfare state, an obvious disjuncture occurred between general cultural expectations and the political and institutional changes in the social security system.

### ***How does the social welfare system affect cultural specificities? The third phase of the modern Welfare State, a period of strategic adjustment***

The third and current phase of the welfare state is best characterized as political-institutional adjustment through down-sizing (re-scaling). By the middle of 2000s, attempts to preserve institutional structures of welfare states were no longer being defined as differing regime patterns of welfare states but instead as national states with varying strategies<sup>4</sup> to meet the changing conditions of global markets. This third and actual phase, occurred as barriers to capital transfers eroded and as the emergence of a new international division of labor developed (Jordon, 1998). However, in Sweden we have seen lower employment rates but it is uncertain if that is because of an outflow of job opportunities.

Throughout the three phase periods of the welfare state, the relationship between the national state and the market functioned to promote both state and market as dominant social institutions focused on the wage relationship. This occurred despite the fact that the sphere of the family invaded both the discussion and the theoretical models of how different welfare state regimes functioned. Important in our discussion is the double goal of the Social democratic welfare model and that is to strive for both efficiency as an organizing principle for state finance and equality as an organizing principle of the will of the people. Growth and employment

What we have primarily seen during this recent advancement of a period of strategic adjustments is a fight to control the cultural rhetoric to change the basis of political power in Sweden. The conservative led center-right coalition won political power in Sweden by offering themselves as the “New Labor” Alliance. They promised to put more people to work and to move individuals off of early disability and sickness. But the method to do this was by reverting to the old quarrels of Active Labor Market Policy over the content of the “work-line.”

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<sup>4</sup> An example is the focus during the late 1990s is the Clinton-Blair doctrine or the Danish model of “flexicurity” which gained interest in the beginning of the 21<sup>st</sup> century. All of these models are concerned with the relationship between the state and the market.

They also continued on the four point program started by the social democrats to limit the responsibility of the state for welfare, the number of individuals qualified for generous welfare programs and the amount of remuneration. The individual with a job would be given additional incentives so more individuals would choose working. In fact, inequality instead of equality was being used to justify the down-sizing of a generous welfare system.

This is a dangerous road for the conservative center-right Alliance because they too ignore the cultural basic traditions held by majority of the Swedish population. That is, the Swedish people believe in a role for government to provide collective solutions. Instead the political policy is by rhetoric and changed social security programs to change a cultural narrative that will shift more responsibility for social security to the individual. In order to promote a culture legitimacy for the state to limit its security providing function, the family and voluntary organizations are being encouraged to take over roles of security providers. This is being done in part by providing for private initiatives subsidized by the government. It is doubtful if the current political coalition will be able to affect basic cultural understandings to the degree that they will remain in power after the 2010 elections.

Even if current strategies adjustment in the third phase of social security development paints a bleak picture, there are a number of positive possibilities that could arise from this period of strategic adjustment. Both Swedish culture and institutional arrangements are deeply rooted in a balance between efficiency and equality in the development and reform of social security systems. A key to maintaining this balance is the creative use of Active Labor Market Policy as a method of combating unemployment. Three possible strategic adjustments<sup>5</sup> that can be taken by Sweden to maintain a well-developed welfare state are:

1. Use the traditional Swedish culture of a small country that uses export strategy to promote growth and employment. There has been no evidence in Sweden of jobs moving off-shore. While jobs in manufacturing are being exported, new jobs in services are emerging.
2. Emphasize employment friendliness programs by maintaining a generous welfare system to cope with upgrading labor skills to meet new forms of production instead of relying on individual incentives. At the same time strengthen the labor agreements by a slight modernization of collective agreements to reflect secure frameworks with more possible room for wage negotiation at the local level.
3. Gear active labor market policies to the “able-bodied”. Concentrate the early pension system to those individuals who are clearly without a work/trainable capacity.

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<sup>5</sup> These points build-on the arguments and descriptions provided by Fischer (2006) and Magnusson (2007).

## ***Conclusion – Will there be a trade-off or a new balance between the goals of efficiency and equality?***

There are a number of problems facing the developed welfare state in a small country like Sweden. Previous thinking about a possible convergence among countries in the evolution of welfare states as an organizing principle of society has to be looked at in a more differentiated manner. To be most effective, social security reform should be well-aligned with traditional motivation patterns of the population as well as institutional developments of the role of capital, labor and the state in promoting growth and maintaining full employment.

External factors do have an affect on public institutions. How a country chooses to deal with external factors, to promote the social welfare system or to use retraction in a social system to affect cultural patterns is of crucial importance. Some considerations that have to be met for the Swedish welfare system to continue with a generous welfare model are the following:

1. Welfare reform cannot be done without concern for public finance but strict laws about public debt relation to BNP as well as goals limiting inflation have to be seen in a context of a balance between efficiency and equality. This is especially true for a country like Sweden where cultural traditions are based on a balance between these two goals.
2. The social welfare system in a small country can be upset by outside pressure on the regulatory framework on labor market arrangements. Sweden has been able to maintain growth and production by a series of collective wage agreements that pushed out business that compete by the use of low wages. Wage agreements are made through centralized negotiations and culturally are accepted as fair wages that protect workers and encourage economic growth. Sweden will need to negotiate within the European union to keep the framework of collective bargaining as a corner stone in regulating labor relations.
3. Labor market participation is high in Sweden but has been decreasing and is lower than in the 1980s. The latest economic crisis of 2008-2009 has once again increasing rates of unemployment in Sweden and experience has shown from the recession of the 1990s that many of the unemployed do not re-enter the labor force. This is a problem because of the costs of maintaining income levels for those not in the labor market. In Sweden, there is already talk of a division between those that work and those that receive income from other sources. The fear is that inequality will increase in Sweden which is against one of the stronger cultural goals in the society.
4. There are high absences from work due to illness, parental leave or vacation and hours worked per year are below the OECD average. Policy restrictions show that short-term illness is coming down but not early retirement. This is a threat to the Swedish social welfare system because it indicates that the Active Labor Market Policy duties of the government have not been as efficient as they have been in earlier periods. The tendency might be towards punishing people in these programs by continuing to lower remuneration which would be a step further away from the social welfare model.

These problems are challenges to the continuation of the welfare state. However, it seems that by situating this problem within the cultural specificities and the institutional specificities of the country it is easier to see possible solutions. Instead, of asking ourselves if there is a natural trade-off in the Swedish model of welfare between an ambitious social objective and a strong and globally



competitive private sector, Sweden might want to look at increasing the generosity of Welfare programs and re-designing the Active Labor Market Policy for better skill acquirement.

I would characterize the relationship between culture and the present day social welfare system in a period of strategic adjustment as taking a middle line, which is typically quite Swedish. The government has not given-up on helping the labor market partners find useable forms of collective bargaining that would satisfy both labors need of stable wage relationships and employers need for local flexibility. The Swedish government has, however, embarked on a program of individual incentives to encourage an individual to leave the rolls of early disability or sick leave. This means a reformulation of the culturally accepted concept of “work line” in the social welfare system. More individuals are finding themselves not able to support themselves yet unable to qualify for a government program.

Cuts in welfare programs and changing eligibility criteria as well as a radically changed pension system from defined benefits to defined contributions has also made for a wedge between understandings of traditional functions of social insurance and present day programs. It has also created a sense of cynicism from the public towards both politicians and administrators. Moreover, a program of forced financial investments in different financial instruments as a part of the new pension reform, designed to change Swedish culture and the population into active financial investors capable of taking economic risks that will influence their future has, as of yet, (after ten years) shown little success.

The use of political rhetoric based on cultural assumptions of the independent and freedom-loving Swede and the role of the government in guaranteeing income security and regulating unemployment has picked-up the last decade. It is reasonable to think that current changes in the social security system are responsible for this change in the culture of politics. Recent changes in the social security system have also changed the institutional structure of membership in trade unions by raising costs for membership in certain unions having higher rates of unemployment.

Most important, politically induced changes in the Swedish social welfare system have not been absorbed by Swedish culture. It is reasonable to forecast that tensions will arise between the traditional focus of Swedish culture on combining efficiency and equality and the changes in both political and institutional culture brought about by changes in the social welfare systems.

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**Diagram 1 The Swedish Welfare State in Change**

<b>Period</b>	<b>Cultural Focus</b>	<b>Political Argument</b>	<b>Women</b>	<b>Rhetoric</b>
<b>Golden Age</b> (1960-1978)	Efficiency	Wage Relationship Decommodification ALMP	An entity in the family. Priority to a male breadwinner model.	Family
<b>Transition and Crisis</b> (1979-1997)	Equality	Decommodification + De-familialization ALMP	As supplemental wage earner. Processes of de-familialization. Public interest in influencing power relationships within the household.	Household
<b>Strategic Adjustment</b> (1998 ---)	Efficiency	Wage relationship Work Ethic Re-commodification Re-familialization Individual incentives	Individual, competitive wage earners. Re-commodification Re-familialization	Individual

## Contact data

Antoinette Hetzler, professor

Address: Department of Sociology

P.O. Box 114

SE-221 00 Lund

Sweden

Phone: 046-222 88 12

E-mail [antoinette.hetzler@soc.lu.se](mailto:antoinette.hetzler@soc.lu.se)

Home page: <http://www3.soc.lu.se/index.php?id=82>



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Faculty of Social Sciences