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## **The Swedish Welfare State: Neo-liberal Challenge and Welfare State Resilience**

*Angesichts neo-liberaler Strömungen und schwerer wirtschaftlicher Probleme während der frühen 1990er Jahre befürchteten viele Beobachter, der schwedische Wohlfahrtsstaat würde sein umfassendes und geschlechter-gerechtes Profil verlieren. Dieser Beitrag argumentiert, dass die Veränderungen des schwedischen Wohlfahrtsstaates in den 1990er Jahren inkrementell, aber nicht fundamental waren. Tatsächlich wurden Kürzungen und Änderungen vorgenommen, diese resultieren allerdings nicht in einer radikalen Restrukturierung des Wohlfahrtsstaates. Die zentralen Sozialleistungen wurden universalistischer, nicht zuletzt dank des steigenden Anteils von Frauen am Arbeitsmarkt. Auch die öffentliche Kinderbetreuung wurde eher ausgedehnt denn eingeschränkt. Dies belegt, dass es nach wie vor Spielraum für Politikdivergenz gibt. Selbst einer kleinen offenen Wirtschaft mit dem höchsten Budgetdefizit innerhalb der OECD in den 1990er Jahren war es möglich, das nationale Budget wieder unter Kontrolle zu bringen, ohne den Wohlfahrtsstaat abzubauen.*

### **1. Introduction**

Neo-liberalism has posed a serious challenge to the welfare state for over two decades. Neo-liberal ideology argues that the high taxes that generous welfare programs require distort the function of markets by creating a tax-wedge that stops numerous transactions and therefore reduces economic growth. Irrespective of the economic consequences, neo-liberals also argue that high taxes and welfare programs reduce the freedom of individuals to pursue their life-projects, i.e. that they are paternalistic. Concerning gender equality and the relationship between the state, market and family Swedish neo-liberals have claimed that public authorities have taken over too much of the parents' responsibilities. They argue that parents (read mothers) do not have the choice to stay at home. Their ambition has been to privatise social services like childcare either to the family or to the market. How then has neo-liberalism affected Swedish welfare state development over the last couple of decades? Has there been a shift in the relationship between the state, the market and the

family towards more welfare and social services financed and provided by the market and family? Or has Sweden managed to keep its generous and universal welfare regime?

It is often argued that the first signs of impact of neo-liberalism in Sweden could be observed when the Social Democratic Party was in power in the 1980s. The Minister of Finance – Kjell-Olof Feldt – and a clique of economists around him deregulated capital controls, gave the central bank an unprecedented autonomy and changed the tax system to increase work-incentives. But it is hard to argue that any retrenchment in the welfare state was attempted. The Swedish economy was booming after the devaluations around 1980. Although there were warning signs that the tide was shifting, the Social Democrats in the election campaign in 1988 instead promised new expansions of social policy as for example an extension of the paid parental leave period and more places in public childcare. This would of course raise expenditure considerably.

However, already by 1990 the economy was in free fall. Trying to meet this challenge, the

Social Democrats made some changes in welfare programs, but more importantly, lost the election of 1991. A four-party non-socialist coalition led by a Prime Minister from the Moderate Party (a right-wing party) came into power. The coalition embraced ideas about welfare state transformation, gender equality and family policies that were a somewhat peculiar mix of neo-liberal, neo-conservative as well as more traditional social democratic values. These diverse values reflected the ideas of the four parties in the coalition. In the election campaign the non-socialist parties had promised to change the welfare state and to introduce a home care allowance.

During the 1990s unemployment increased to levels unthinkable since the 1930s, from 1,7% in 1990 to 8,3% in 1993. GDP growth was negative in 1991–93, and as a result of less public income and heavy pressure on public expenditure the national budget ran into heavy deficits. Within only four years Sweden went from having the largest budget surplus in the OECD to operating the largest deficit, which 1993 amounted to 14% of the GDP (Ds 2002). At least at first glance, the possibilities for welfare retrenchment would therefore seem to be significant: a (partly) neo-liberal government in favour of privatisation and restructuring of the welfare state, heavy budget-deficits, and an awareness of an economic crisis among the population (and even the political opposition). Indeed, cutbacks and reconfigurations in welfare programs and services were made and some of them were continued by the Social Democrats after their return into power in 1994.

In international comparisons the Swedish welfare state has in general been associated with generous public spending, universalism, egalitarianism, limited scope for the private sector and a broad spectrum of high quality social services. The aim of this article is to analyse the characteristics of Swedish welfare restructuring. Has the Swedish welfare state lost its defining characteristics? Has the social democratic welfare model been dismantled? What does the restructuring implicate from a gender perspective?

The point of departure is that the social democratic welfare regime is comparatively women

friendly, or as we prefer to say gender-equality friendly. Gender-equality friendly policies do *not* support the traditional division of labour between women and men; on the contrary they support women as well as men to abandon their traditional roles. Gender equality in both labour force participation and in care work is encouraged. In addition gender-equality friendly policies do not discriminate against single parents or same sex couples (Sörenson/Bergqvist 2002). According to comparative studies of welfare states Sweden has come a rather long way towards institutionalising a welfare state regime that is fairly gender-equality friendly. Women as well as men have been included as citizen workers in all the main social insurance systems and the provision of public childcare has been a pre-condition for the possibility to reconcile family and work (Hernes 1987; Sainsbury 1999; Huber/Stephens 2001).

In this article we will first give a general picture of the development of the main social insurance programs, then we will turn to the changes in social services and do an in-depth analysis of the childcare sector.

## **2. Measuring Welfare State Retrenchment and Regime Change**

The question whether the Swedish welfare state can still be described as a social democratic welfare state or not is in fact, at least partly, the same question as asking whether the Swedish welfare state has been dismantled. As Paul Pierson we define retrenchment as something more than cuts, or merely quantitative change. Retrenchment signifies a *qualitative* change of the welfare state. We thus turn our attention to reforms that would indicate *structural changes* of the welfare state. Such reforms would contain significant increases in reliance on means-tested benefits, radical reductions of benefits and/or tightening of eligibility rules and privatisation of major social services (Esping-Andersen 1990, 54, 73; Pierson 1996, 157). How then do we judge whether changes are marginal or radical? Pierson does not offer a very systematic approach in this respect (cf.

Alber 1996; Clayton/Pontusson 1998; Lindbom 2001). This is not altogether surprising; it is hard to theoretically define the point where quantitative change becomes qualitative. However, Esping-Andersen's welfare regimes (1990) can serve as a starting point for this purpose. Reforms of Swedish welfare programs are considered to be retrenchment when program expenditure is not only cut marginally, but when reforms make the welfare state lose its, in international comparison, characteristic attributes.

Esping-Andersen's book *The Three Worlds of Welfare Capitalism* (1990) was without doubt the most referred to and praised book within welfare research during the last decades. We will use his widely known and accepted typology for a new purpose: measuring change over time. Although the author identified three welfare regimes, the first question whether social insurance has been retrenched or restructured puts the focus on social democratic and liberal regimes. The basic difference between them is that while the liberal regime provides for the poor alone according to a principle of need and lets the middle class turn to private insurance schemes, the social democratic regime serves all citizens according to more generous, middle class, standards.

Esping-Andersen measures welfare regimes on two different dimensions: *decommodification* and *stratification*. The gist of decommodification is the emancipation of workers from market dependency, e.g. by an unemployment benefit providing citizens with an adequate alternative source of income (Esping-Andersen 1990, 47). We will analyse its main ingredient: *replacement rates* (cf. van Kersbergen 1995). The Swedish values of today will be compared with the values of Esping-Andersen's 18 countries of 1980. Are Swedish replacement rates of today still among the highest in such a comparison or rather similar to the values of the "liberal" welfare states of 1980?

Secondly, we address the question if the Swedish welfare state stratifies in a "liberal" or a "social democratic" way today. Esping-Andersen not only sees the welfare state as a correction to market inequalities. It is in its own right a system of stratification, an active force

in the ordering of social relations. The social democratic or universal welfare state has created a broad pro-welfare coalition between workers and farmers/the middle class, integrating them into the "Peoples Home" (Esping-Andersen 1990, 23, 67ff.). The liberal welfare state on the other hand alienates the middle class from the welfare state. "Liberalisation" will be measured in three ways, all of them corresponding closely to Esping-Andersen's operationalisation. How much is spent on means-tested benefits relative to other social expenditure? This measure is then compared to "liberal" welfare states of 1980. The same procedure is followed with respect to the two other indicators of liberalism: private pensions relative to total pensions and private health expenditure relative to total health expenditure.

If Sweden no longer scores above average on Esping-Andersen's indicators of liberalism *or* if replacement rates are not well above the level of the "liberal" welfare states of 1980 *or* the score on universalism is no longer well above the average, the conclusion will be that it is justified to speak in terms of welfare state retrenchment.

We will go beyond Esping-Andersen's approach in two points. First, his way of measuring *universality* needs to be supplemented since it produces a paradox. As we will show later, the universality of the Swedish welfare state increases according to one indicator and decreases according to another one. If cuts of the replacement rates of social insurance schemes have made a large number of citizens dependent on social assistance, this equals retrenchment (Pierson 1996; Clayton/Pontusson 1998, 77). Secondly, Esping-Andersen's analysis of 1990 was only concerned with social transfers, while the most characteristic feature of the Swedish welfare state is that it provides *social services* on a quite different scale from all countries outside Scandinavia (Esping-Andersen 1999). Feminist research has pointed out that the state/family axis measures variations in welfare states concerning whether they institutionalised forms of support for families or relied upon the family as form of welfare, or expected the market to provide benefits and services for

families. In the early 1980s the Swedish welfare state had established a dual-income norm, generous parental leave legislation and developed a public childcare system, which allowed mothers as well as fathers to combine family and work (Leira 1992; Bergqvist 1999; Sainsbury 1999). A structural change in this case would for example be a privatisation of childcare services.

### 3. Retrenchment within Social Insurance?

Estimations are made for 2002 for most indicators, but regarding pensions the values presented are from 1998. That year, the Swedish parliament decided to make significant changes in the pension system and the complexity of those changes makes it necessary to deal with them separately at the end of this section.

#### 3.1. Stratification

The indicators of whether welfare state liberalism has increased or not are presented in table 1.

For the *social assistance quota* we can observe a major change in the value for Sweden: from 1,1% to 2,2%. However, this is still below the average value of Esping-Andersen's data for the 18 countries in 1980. Data suggest a relative expansion of *private pensions* compared to public pensions. The value has more than doubled since 1980, but this still leaves the Swedish value in 1998 lower than the international average for 1980.<sup>1</sup> Concerning *private health*

*care* there has also been a clear trend towards liberalisation, but the trend was however not strong enough to change the fact that Swedish health care still is publicly produced to a far larger degree than in other countries.

Summing up, on all three indicators there is a clear trend towards liberalisation. However, when judging whether the Swedish welfare state has lost its defining attributes we need to take the starting point into consideration. Then we notice that despite considerable increases, the Swedish values are still well below the averages of the 18 countries of 1980 for all three indicators. The significant decline of the social assistance quota from 1998 (3,6%) to 2002 (2,2%) moreover suggests that the Swedish welfare state has gained increased strength as the immediate economic crisis of the 1990s disappeared (Lindbom 2001). The results therefore clearly indicate that Sweden has *not* gained the attributes of a liberal welfare state.

#### 3.2. Replacement Rates

Replacement rates for sickness and unemployment benefits refer to the first 26 weeks for an average industrial worker after waiting days. Pension replacement rates refer to the rates that such workers receive when they retire with 35 years of work experience.

For *pensions* nothing much has happened if one compares 1980 and 1998 (72% on both occasions). For the *sickness cash benefit* there has been a reduction of the replacement rate from 90% in 1980 to 79% in 2002. For the *un-*

Table 1: Stratification – Indicators on welfare state liberalism

	<i>Means-tested poor relief (as % of total public social expenditure)</i>	<i>Private pensions (as % of total)</i>	<i>Private health spending (as % of total)</i>
Sweden 1980	1,1	5,5	7
18 country mean 1980	5,9	13	22
Standard deviation 1980	5,1	10	14
Sweden 1998/2002	<b>(2002) 2,2</b>	<b>(1998) 12,1</b>	<b>(2002) 14,8</b>

Sources: Lindbom 2001; Socialbidrag 2002; Socialförsäkringsboken 2002, 92; OECD Health Data 2003 2<sup>nd</sup> ed.

Table 2: Swedish net replacement rates

	Pensions	Unemployment	Sickness
1980	0,72	0,64	0,90
recent	0,72 (1998)	0,78 (2002)	0,79 (2002)

Source: Lindbom 2001; own calculations.

*employment benefit* the replacement level has actually become more generous: 0,78 (2002) compared to only 0,64 (1980). On average, recent replacement rates are more generous than they were in 1980, but there is variation between different programs.

All the Swedish net replacement rates are higher than the average 18 countries value for 1980: for pensions 0,72 compared to 0,54, for sickness benefits 0,79 compared to 0,70 and for the unemployment benefit 0,78 compared to 0,63. Moreover, the recent trend is that the replacement rate of the unemployment benefit has been raised significantly from 0,71 (1998) to 0,78 (2002) (Lindbom 2001, 177). Summing up, neither a comparison over time in Sweden nor a comparison with other countries suggests that the Swedish welfare state has lost its generosity, i.e. that the labour force has been re-commodified.

### 3.3. Universalism

The indicator of universalism measures who is formally entitled to social insurance. The people's pension still is universal and the sickness cash benefit is as universal now as it was in 1980. Universality in the case of unemployment benefits refers to the number of members of voluntary unemployment schemes relative to the size of the labour force. This value has increased over time. In 1980 74% of the labour force were members while 86% were in 2002<sup>2</sup>. The Swedish welfare state therefore is more universal today than it was at the end of the "golden age".

As we saw above however, costs for social assistance have been rising more than costs for social transfers, which indicates less universalism. Although these indicators are two sides of the same coin, they do not correlate.

How can this be explained? Clayton and Pontusson (1998, 76f.) rightly point out that only three of the major Swedish social programs are truly universal: child allowances, health care and the people's pension. Most of the big social security programs provide benefits to former participants of the labour market. Therefore it can be expected that the rise of Swedish unemployment has affected the number of people having access to social insurance. But the authors (Clayton/Pontusson 1998, 77; own emphasis) go further than this, they also assert that "many of the people that are *no longer* employed have ended up on some form of means-tested social assistance", but lack a reference for this claim.

There is however no data available to support the idea that formerly employed persons – who thereby have access to unemployment benefits – now massively require social assistance. A typical unemployed industrial worker living alone still enjoys a standard well above the social assistance norm (SOU 1999, 46 f.). Moreover, there has been no increase in the number of unemployed whose right to payments from the unemployment insurance funds has ceased since there is a *de facto* guarantee against the termination of unemployment benefit of the long-term unemployed. People threatened by termination of their unemployment benefit are given priority in job-creation and training schemes that re-qualify them for unemployment benefit (Salonen 1993, 206; Ståhlberg 1997, 57). Therefore we argue that retrenchment is not a valid description of the cuts in benefit levels of unemployment and sickness insurance.

The rise of costs for social assistance can largely be explained by a growing amount of unemployed people *without* former participation in the Swedish labour market, in particular young people and immigrants (Salonen 1993, 210; Socialbidrag 1998).

But what is the situation of the target group, i.e. the unemployed? On the one hand the percentage of unemployed getting unemployment benefits was higher 1998 (80%) than in 1980 (62%). On the other hand in absolute numbers unemployed lacking adequate economic cover more than doubled between 1989 and 1995. Since then however the numbers have declined again (Lindbom 2001, 182).

Although some tendencies point to certain groups falling through the safety net of the social insurances, this should not be interpreted as a convergence of the Swedish welfare state towards Esping-Andersen's conservative welfare regime. The Swedish welfare state has never been universal in a strict sense. In fact there has been an inconsistency between the political discourse of the welfare state and the political programs. Programs like unemployment benefits, sickness cash benefits and the supplementary pension (ATP) all required previous participation in the labour market. The high "universality" of the Swedish welfare state was to some degree a result of the high level of women's labour market participation.

When unemployment was low this contradiction between discourse and actual program rules was only latent, but with increasing unemployment it has become visible. The programs have not been changed much, but the context has changed, leaving groups like immigrants and young adults without protection from the "universal" schemes.

Although the used indicators exaggerate the universalism of the welfare state, this is not only true for Sweden. The conclusion therefore must be that the Swedish welfare state remains *relatively* universal.

### 3.4. Pension Reform

The analysis so far can be criticised for only taking into consideration reforms that have already taken effect. The important pension reform that was decided upon in 1998 will however have its impact in the future. Due to transition rules, pensions today are still paid according to earlier rules. The reform is highly com-

plex, but in spite of it being fairly radical we argue that it does not fundamentally change the Swedish welfare state. Pensions remain universal, although the basic pension in the future complements the income-related scheme rather than the other way around as in the old system. A funded component is introduced in the public pension scheme, but it is compulsory and complements the pay-as-you-go system, rather than replaces it. In Esping-Andersen's terms, the most important change is that the new system increases work-incentives compared to the current system, i.e. it recommodifies labour to some extent. All in all, the pension reform is a significant reform, but it does not change the fundamental attributes of the Swedish welfare state (cf. Lindbom 2001, 2001b).

## 4. Welfare State Restructuring and Social Services

We now bring the social service sector into our focus, a welfare state dimension that has recently attained more and more attention. According to Esping-Andersen the social democratic welfare regime became distinct only in the 1970s when income protection was complemented with an expansion of social services (Esping-Andersen 1999, chapter 4; see also Anttonen/Sipilä 1996). The question here is if Sweden still bears the characteristics of a social democratic welfare regime where social services have generous public spending, are of high quality, where the scope for the private sector is limited and services are universal and egalitarian. This will not be evaluated in an 18 countries comparison, since the result then would be given. In a comparative perspective Sweden still has highly developed social services (Anttonen/Sipilä 1996). Nor will the comparison be done with the Swedish values for 1980. The social services expanded considerably in the 1980s. By making 1990 the year of comparison the test of the welfare regime thesis becomes much harder.

For an in-depth analysis we will mainly focus on public childcare services. The reason to choose this sector is that it symbolises many of the ambitions of the Swedish welfare state to

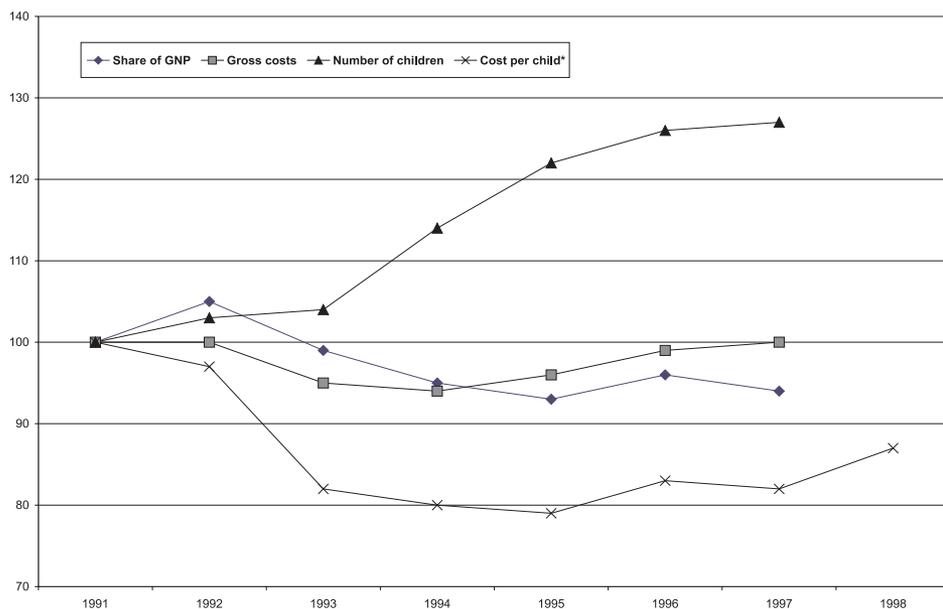
promote equality between different groups in society as well as between women and men. In addition this is a critical case as there were several challenges to the Swedish childcare model during the 1990s. The new non-socialist government of 1991, headed by Carl Bildt (Moderate Party), declared as their primary goal to implement a “revolution of choice” in the public service sector (Blomqvist/Rothstein 2001, 9). For the childcare sector this meant a combination of neo-liberal and conservative ideas about decentralisation, markets and privatisation, as well as the introduction of a home care allowance. The home care allowance – long favoured by the Moderate, Centre (agrarian) and Christian Democratic Parties – was again touted as a means of providing mothers with the choice to take care of their own children at home. In this case neo-liberalism and familialism went hand in hand. Thus there are many reasons to expect that childcare services have been restructured

and dismantled. We will evaluate the 1990s development by looking at *public expenditure, universalism, quality, privatisation, and egalitarianism* in this sector.

#### 4.1. Public Expenditure

In Sweden public childcare has been seen as a vehicle to promote gender equality and full employment, as well as equality between different kinds of families, and equal provision of care and education for pre-school children. Since the 1970s the expansion of public childcare services was in general an accepted policy goal and has been a growing part of the national budget. However, during the early 1990s the costs of childcare as a share of GDP decreased, the gross costs for childcare went down and less resources were spent per child (see figure 1). The decrease in resources was

Figure 1: Costs of public childcare as a share of GNP, gross costs for public childcare, number of children in public childcare and cost per child. Index 1991 = 100.



\* Costs per hour (1991–1995) and costs per child full-time (1996–1998) in public childcare centre. Unfortunately, due to changes in the statistics in 1998 it is not possible to make comparisons with the years after 1997 in the other measurements. Until 1997 preschool covered 1–6 year olds, in 1998 1–5 year olds.

Source: Bergqvist/Nyberg 2002, 291.

partly due to a “baby-boom”, which meant that around 188,000 more children were in public childcare in 1998 than in 1990. Another indication of fewer resources is that during this period parental fees rose: In 1990 parents paid 10% of the total gross costs of childcare in direct childcare fees but by 1998 this proportion had increased to 17% (Bergqvist/Nyberg 2002, 291f.).

The above figures seem to indicate that this is a case of retrenchment and perhaps restructuring. Yet it is too early to jump to this conclusion as toward the end of the decade and in the early 2000s the resources used for childcare have increased again.

#### 4.2. *Universalism and the Quality of Public Childcare*

The right to childcare has never been universal in the same sense as for example education. Except for some hours of pre-school for six year olds, the right to public childcare has in practice been restricted to children whose parents are in paid work or to children with special needs. Thus, labour market participation or need have formed the basis for eligibility to publicly financed childcare. In practice supply has never matched demand, so even employed parents have sometimes been unable to find the childcare they need.

In times of cuts in public spending one might expect a tightening of eligibility rules as one way to save money. This, however, has not been the route taken in Sweden. In fact more children than ever have access to childcare institutions. From 1990 to 1999 the proportion of children between one and two increased from 44 to 60% and for three to six years old the corresponding figures were from 64 to 82% (see table 3). Childcare services mainly apply to children from the age of around one and a half years old; children below that age are mainly taken care of by their mothers (usually) or fathers (sometimes) on paid parental leave (Bergqvist/Nyberg 2002, 293f.).

The goal of public childcare today is not only to serve working parents but also to educate and

**Table 3: Children enrolled in publicly subsidized day care centres, pre-schools and family day care units 1990 – 1997, % of the population by age**

	1–2 years old	3–6 years old
1990	44	64
1992	46	65
1994	48	70
1996	57	76
1997	59	78
1999	60	82

Source: Bergqvist/Nyberg 2002, 293.

support the development of pre-school children. This is, of course, not possible if eligibility is tied to the parents’ status on the labour market. Of particular concern here are the children of unemployed parents. These children do not get the same support and early childhood education as those whose parents work and who therefore are eligible for a place in public childcare.

Thus, contrary to what might have been expected in times of economic restraint, on the aggregate level universalism has been strengthened. The expectation that the non-socialist government would promote home care allowance at the expense of childcare services was not fulfilled. As a matter of fact the fourth coalition party, the small Liberal Party and in particular the liberal Minister for Social Affairs and Gender Equality, Bengt Westerberg, was the driving force behind a new Act on Childcare strengthening the right to a place in public childcare.

Since the Social Democrats came back into power in September 1994 several steps towards a more universal childcare system have been taken. Responsibility for childcare on the national level was moved from the Ministry of Health and Social Affairs to the Ministry of Education and Science in July 1996, with the aim of strengthening the pedagogical profile of childcare. This inaugurated a process of integrating childcare and school into the same legislation. Legislation for the whole childcare sector has been brought into the School Act, and

the National Agency for Education has the supervisory responsibility.

In addition, the social democratic government has moved childcare further in the direction of universalism. In November 2000 the Swedish parliament decided to implement the right to childcare for the children of the unemployed, a universal and free pre-school for all four and five year olds and the imposition of a maximum parental fee by the national government. The Social Democratic Party got support from the Left Party and the Green Party for these reforms. The four bourgeois parties in opposition did not support the reforms and instead suggested a lump sum (childcare account) to all parents with pre-school children and the right to tax deductions of childcare costs; measures that would be more in line with a liberal regime.

Was *quality* of childcare services retained? There is no straightforward way to measure quality in childcare, but changes in child/staff ratios and group size might provide a rough indication. Since 1990 the number of children per staff rose rapidly. In 1990 the average number of children per annual worker in childcare centres was close to four and by 1999 the number was around five. Also the group size changed. In 1990 the average group size was around 14 children but by 1998 it was around 16 children. More children per group and per adult can be interpreted as a deterioration of the quality in childcare, but it is also possible that the municipalities are producing as high quality childcare with fewer resources due to better educated staff, for instance. There are no systematic studies about how quality is affected by changes in resources over time. It is thus hard to give a well-qualified answer to the question of qualitative changes in Swedish public childcare over the last decade (Bergqvist/Nyberg 2002, 292ff.).

#### 4.3. *Privatisation*

During the last decades of the twentieth century, a political trend towards privatisation has swept over the world. This has not left Sweden untouched, but private solutions can be of different kinds. Childcare can be purchased from

profit-making enterprises or non-profit organisations, or the family can provide it. The implications of privatisation will be different depending on whether privatisation means expanding the role of commercial enterprises, non-profit organisations and/or the family. During the 1990s, the non-socialist government introduced a home care allowance as a way of trying to privatise to the family. On their return to office, the Social Democrats abolished this care allowance.

Privatisation to for-profit or non-profit organisations was, however, more successful. Such privatisation can be divided into three aspects: provision, financing and regulation. Swedish childcare today is, even when it is “private”, publicly regulated and financed. In the 1980s, non-municipal childcare centres became eligible for public subsidies, as long as they met certain requirements. The centre had to be run by a non-profit organisation, such as parents’ cooperatives, or offer a special form of pedagogy or meet other similar requirements. In 1991, when the bourgeois parties were in power, the law was changed to include childcare centres run by personnel cooperatives, the Swedish church, and for-profit organisations. The proportion of children in private non-profit and commercial childcare centres rose from 5% in 1990 to 15% in 1999.

The ideological difference between Social Democrats and the bourgeois parties has not concerned childcare centres run by non-profit organisations such as parental cooperatives, but for-profit, company-run childcare centres. The bourgeois parties opened the way for public subsidies to for-profit childcare centres at the beginning of the 1990s. The Social Democrats did not reverse this decision when they came back into power. In 1998 commercial childcare accounted for around a quarter of the privately run childcare centres.

The general impression is that the private sector in childcare has grown, but this can be contested. Today the proportion of children in private childcare of all children in childcare is smaller (16%) than in the 1980s (40%). This is explained by the fact that a higher share of all pre-school children today has access to differ-

ent kinds of *regulated* pre-school activities. In other words, the big difference between the 1980s and today is that the need for unregulated childcare, organised and financed privately by the parents, has been crowded out by publicly financed childcare. The municipalities still run the great majority of childcare at the same time as the way has been opened for public subsidies to regulated non-profit and for-profit childcare (Bergqvist/Nyberg 2002, 296f.).

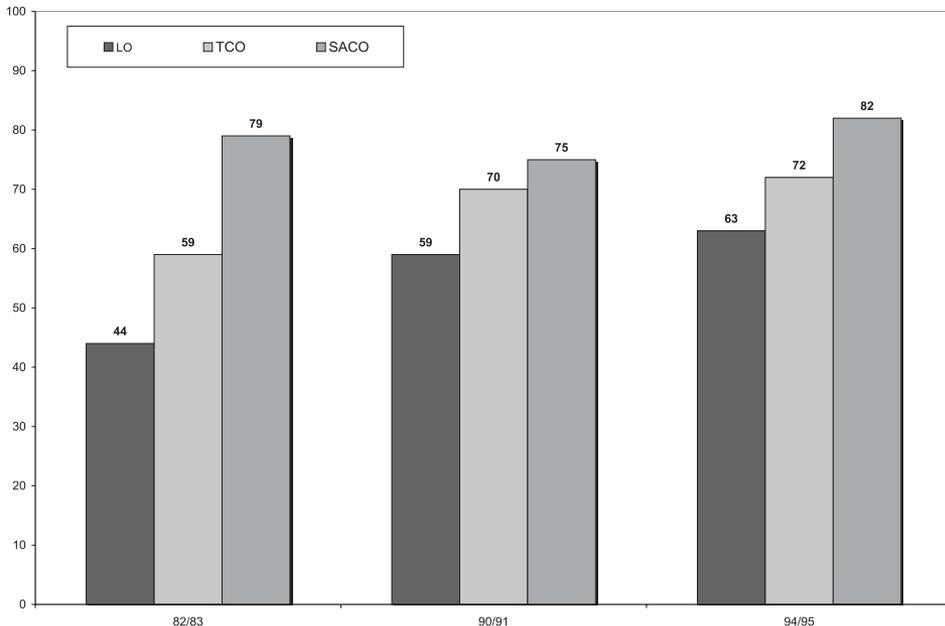
#### 4.4. Egalitarianism

Here we will look at how the increase in the number of places in publicly financed and regulated childcare has affected the distribution of public childcare among different groups in society. Egalitarianism is of course about equal rights and benefits, but in a social democratic welfare state it is also about the active promotion of well-being and life chances for both rich and poor, women and men and about redistri-

bution. Has the recent development of childcare services upheld the ideals of egalitarianism?

Traditionally children of *single mothers* have been a target group of Swedish childcare policies. Childcare in contrast to the pedagogical pre-schools has originally been seen as a way to alleviate poverty by making it possible for poor (often single) mothers to work for pay and to be self-sufficient. In the 1960s almost half of the children in day care centres were children of single mothers. From the 1970s through the 1990s, the proportion started to decrease and in 1994 only 16% of the children in public childcare were children of single mothers. This reflects the substantial increase in the number of children of cohabiting/married mothers in public childcare rather than a decline in access for single parents. In fact, access has improved for the children of single parents too. In 1996, 83% of cohabiting, employed parents had their children in public childcare as compared to 91% of single parents (Bergqvist/Nyberg 2002, 298).

Figure 2: Proportion of children 2–6 years of age in public childcare



Source: Bergqvist/Nyberg 2002, 298.

Another aspect of egalitarianism is class. As we have seen full-time childcare was clearly linked to poverty relief and originally childcare centres did not enjoy a good reputation as long as their main role was to mind the children while their mothers, of necessity, worked. However, their role expanded, the quality in the centres increased and middle-class parents became more interested. The higher quality and the growing number of working middle-class women led to a rapid increase in the share of middle-class children and a concomitant decrease in the share of working class children amongst the children in public childcare in the 1960s and 1970s. By the beginning of the 1980s, the share of children of parents organised by unions belonging to the white-collar organisations TCO (Swedish Confederation of Professional Employees) and SACO (Swedish Confederation of Professional Associations) was higher than the share of children of parents belonging to the blue-collar organisation LO (Swedish Trade Union Federation).<sup>3</sup>

For the social democratic government it was an embarrassment that children of high-income parents were the main beneficiaries of the public childcare system. Contrary to the original intention of Social Democrats and their ally LO, public childcare was contributing to enhancing the differences between parents and children from different classes. As we can see in Figure 2, lately the proportion of LO-children with access to public childcare has increased faster than the other two categories. By 1994/5, the distance between the groups had appreciably diminished.

Another aspect of equality is how the unemployed and immigrants manage in a system, which to a high degree has been based on employment. In many municipalities children lost their right to a childcare place when any of the parents became unemployed. This fact has struck immigrants quite hard, as they have been over-represented among the unemployed. To deal with this problem the social democratic government introduced a right for the children of unemployed parents to at least three hours per day or 15 hours per week of preschool in 2001.

## 5. Concluding Remarks

Once and again the Swedish model of the welfare state is declared dead. Our analysis however suggests that there are no strong indications that the Swedish version of the social democratic welfare state regime has been completely transformed. Initially we argued that welfare state retrenchment and regime change is something more than cuts and that a case of severe retrenchment would contain significant increases in reliance on means-tested benefits, radical reductions of benefits and/or tightening of eligibility rules and privatisation of major social services. We have found that it would be too far-fetched to argue that the Swedish welfare state has lost its traditional characteristics. On the contrary we show that some features – as for instance universalism – have in fact been strengthened in some of the core programs of social insurance and in the childcare sector.

Swedish social insurance programs are mainly tied to labour market affiliation and since the 1980s it has become clear that they are more universal due to women's increased time in paid work. However, the unemployment crisis during the 1990s left several vulnerable groups of women, immigrants and young people outside the system. Today Sweden is not the same Sweden as it may have been 15 to 25 years ago, and many factors external to the welfare state system in itself as well as the context have changed. Thus economic development, demographic trends, and fluctuations in employment and unemployment among women and men have probably been subject of more drastic changes than welfare state programs and services in themselves. In addition, the neo-liberal trend in the international as well as the internal political arenas has posed a threat to the continuation of traditional social democratic politics. These external factors and the political challenges have of course affected the functioning of the welfare state, but we claim that this has rather led to a policy of adaptation and resilience than to severe retrenchment of social insurance programs.

Also with respect to social services change can be observed and to some extent a process of restructuring – in the sense of deregulation

and decentralisation – has taken place. Today, “market solutions” are focused on more strongly than before, and we find a broader scope of for-profit organisations. However, no privatisation towards family-based childcare took place. On the contrary, in 1995 the new social democratic government immediately abolished the home care allowance introduced in 1994 during the last year of the bourgeois government coalition. In fact the bourgeois parties as well as the Social Democrats improved the right to childcare and pre-school activities during the 1990s, promoted reforms such as the “daddy-months” and in that respect the threat to the gender-equality friendly welfare state has not come true.

To conclude, the changes of the Swedish welfare state during the 1990s were incremental, rather than fundamental. Cuts have been made, but they do not sum up to a radical restructuring of the welfare state. Moreover, there is still room for public policy divergence. Even for a small open economy with the highest budget deficit in the OECD in the early 1990s it has been possible to regain control over the national budget without dismantling the welfare state.

## NOTES

- 1 It is hard to find good data on private pensions. Our data probably overestimates the increase (cf. Lindbom 2001).
- 2 Personal Communication National Insurance Board (RFV), Statistics Sweden (SCB), Labour Market Surveys (AKU).
- 3 The categorisation is based on the union the interviewed parent belonged to. It should be pointed out that a very high proportion of the Swedish employees are members of a union.

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