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The Swedish state of prosperity

Abstract

The report represents the essence – the essential of the feature – the Swedish state of prosperity, representing them on background Nordic's model of the state prosperity and the Nordic consensus of the social and economy development.

Key words: the Swedish state of prosperity, Nordic's model of the state of prosperity, Nordic consensus.

JEL CODE: O1, I18, I28, I38.

Szwedzkie państwo dobrobytu

Abstrakt

Referat przedstawia istotę – zasadnicze cechy – szwedzkiego państwa dobrobytu na tle nordyckiego modelu państwa dobrobytu oraz nordyckiego konsensusu rozwoju społeczno-gospodarczego.

Słowa kluczowe: szwedzkie państwo dobrobytu, nordycki model państwa dobrobytu, nordycki konsensus.

Introduction

In a synthetic approach, the welfare state strives to support the well-being of its citizens, and its primary goal is to achieve a certain level of social, economic and political equality – a level of equality in which the following exist: 1) a responsibility for the weak implemented through support activities, 2) a duty to combat poverty, expressed through ensuring a minimum standard of living.

In a descriptive approach, the welfare state is distinguished by the following activities:

- economic activity through various forms of regulating private economics – in particular, the state's policy of „full employment”,
- social activity, which includes taking care of the health of citizens, social insurance (in case of unemployment or illness), assistance for mothers, family allowances, old age pensions, social assistance (for terminally ill people as well as people of old age), childcare, etc.,

- policy of redistribution of national income, which is reflected in the development of social services, as well as progressive taxes.

The welfare state policy¹ is a specific feature of modern Western civilization and – if the West European region is taken into account – it occurs in the following varieties (Zientara 2005, pp. 4-12)².

- the Anglo-Saxon model,
- the Franco-German model,
- the Mediterranean model,
- the Nordic model.

The presented considerations discussed the Nordic model, constituting the background for a more detailed description of the specific welfare state model, characteristic for Sweden, which developed a comprehensive system of social policy carrying universalism „as a banner” (covering the whole of society).

The Nordic consensus

The consensus in literature is that the Nordic (representing Sweden, Denmark, Finland, Norway and Iceland) model of the welfare state relies on (Edvardsen, Hagtvet 1994, pp. 15-16, Rutkowski 2009, pp. 136-168):

- extended state intervention that takes responsibility for the distribution of goods and social services; the basis of distribution are the universal rights of people related to citizenship,
- a mixed economy, combining market mechanisms with the implementation of social security strategies; this presupposes a modification of market mechanisms with regard to health, education and culture, and ensuring full employment. An active labor market policy is one of the most characteristic Nordic prosperity models,
- political democracy – it is not only about political decision-making procedures, but also a way of life based on such values as rational and substantive discussion, tolerance, respect for minorities and social equality,
- a consolidated civil society; the term means the existence of a developed network of various organizations serving as intermediaries between the state and the individual. In the

¹ The term „welfare state” – was used for the first time in 1943, by William Temple, the Archbishop of Canterbury by analogy and in opposition to the concept of the warfare state (ie a state oriented exclusively to military purposes) (Pyka 2008, p. 33).

² Taking into account the differences in the social functions of the state, the following four models can be distinguished: 1) the conservative-corporative model, 2) the liberal model (either in a pure or reformed version), 3) the social-democratic model, 4) the catholic model (Rubaj 2013, p. 28).

Nordic countries, democracy was formed as a grassroots process – political, social and cultural social organizations gained more and more access to power and thus democratized the whole of political life.

If one were to consider it systemically, in the five Nordic countries the principles of universalism and collective solidarity have shaped a specific pattern of social development, different from those found elsewhere, deserving of the „Nordic consensus” label. The main elements that define the specifics of this consensus can be summarized as follows (Anioł 2013, pp. 29-30):

- emphasis on democratic forms of governance combined with a high level of social responsibility. Encouraging citizens to co-decide and to participate in decision-making processes at various levels of collective life (consensual culture of governance),
- an active state, a strong and well-functioning public sector. A relatively high degree of state regulation, ensuring both social security for citizens and appropriate incentives for business development by entrepreneurs,
- striving for full (in practical terms a high level of) employment, in accordance with the „everyone works” principle that binds society well. From the primacy of collective agreements, and not legislation, in labor market regulations, emanates significant stability in the relations between employers and employees,
- financing from taxes and collective funds generous social benefits and high-quality public services, which are widely available to citizens – regardless of their status on the labor market,
- a broad social consensus regarding the recognition of the principle of equal rights and equal opportunities for all. Actively striving for the equalization of income and standard of living. Attaching great importance to the issue of gender equality, to counteracting discrimination against women, as well as against other social groups, including ethnic and sexual minorities,
- concern for the high quality of education and the ongoing improvement of the education system at all levels. Building knowledge-based societies, promoting the development of scientific research, new technologies and innovation.

The Swedish welfare state model

For decades – and to some extent even today – Sweden was considered the main exhibitor of the Nordic welfare state model (Esping-Andersen 2010a, Esping-Andersen 2010b, Anioł

2013, p. 13, Rubaj 2013). Sweden, along with other Nordic countries, turns out to be unrivaled in its pursuit of sustainable development. This is evidenced by the „2016 Social Development Goals Index” (SDG 2016), prepared for the UN by the German Bertelsmann Foundation (Trusewicz 2016). The report assesses the progress of 149 countries in achieving 17 sustainable development goals¹. They are to result by 2030 in „eradicating poverty and inequality and combating climate change” in the world. The leader of the SDG 2016 ranking was Sweden².

In the field of social security, the Swedish welfare state is characterized by the following features (Rutkowski 2009, p. 138):

- a high level of social security, which consists of wide and universal access to benefits,
- a large share of the budget in financing benefits, enabling a broad implementation of the redistributive function in the social sphere,
- etatism, which consists of both the dominant role of the state in organizing and providing benefits, as well as in the large share of public sector employment, especially in the fields related to the functions of the welfare state,
- significant decentralization in providing the services, with municipalities responsible for pre-school care, primary and secondary education and care for the elderly and disabled, and parishes – mainly for health care,
- the relatively high importance of benefits in kind when compared to cash transfers;
- strong popular support for the idea and practice of the welfare state.

In the 1940s and 1950s, the universality of social security benefits became a reality in Sweden: in form of basic pensions, family benefits, health insurance and maternity insurance. Similar rules have been adopted in other Scandinavian countries.

The well-developed welfare state model began to operate in Sweden from the early 1960s and the 1970s, collectively referred to as the „golden age of the welfare state”.

The following should be recognized as the greatest achievements of this policy (Rubaj 2013, p. 75):

- a universal retirement system covering the whole of society,
- the system of universal health insurance,

¹ Goals developed by the United Nations. The report evaluates, inter alia, the rate of economic growth, the labor market, the use of green energy, responsible consumption and production, gender equality, poverty levels, quality of health protection and education, as well as measures to protect the climate and natural resources on land and under water.

² Denmark and Norway are also on the podium. Finland is right behind them, Iceland is in the top ten (spot 9). The top ten – in addition to the Nordic countries - are: Switzerland, Germany, Austria, the Netherlands and (at the 10th position) United Kingdom. Poland ranked 38th in the SDG 2016 ranking.

- universal assistance for children and families,
- insurance against job loss,
- a system of direct transfers covering housing allowances,
- a system of collective pay arrangements that promote income egalitarianism, eliminating differences in the standard of living between different social groups,
- universal free education at various levels.

The Swedish model of the welfare state is the result of a specific system of exercising power after the Second World War, a system based in principle on the rule of Social Democrats. The characteristic factors that underlie this system were (Rubaj 2013, pp. 72-73):

- a high level of public spending and an extensive fiscal system adequate to the broad needs of the welfare state policy, interfering deeply with the lives of individual social units and households,
- developed state intervention, stabilizing economic development in order to conduct employment and payroll policies,
- the centralization of public sectors,
- active state policy in the financial sector, including deposits, loan policy and investments in order to allocate and redistribute them,
- a contractual remuneration system,
- a controlled decision system in the private sector, achieved via using the dominant market position of several major companies and monopolistic activities of selected banks, insurance institutions and investment corporations.

That system – however – had, as a result, its negative consequences, leading to:

- a distortion of the market and of real competition,
- limitations on the development of the SMB sector, reduction of the effectiveness of companies and, consequently, their profitability,
- a decrease in the rate of economic growth,
- high unemployment.

Piotr Rubaj (2013, p. 93) notes: „The implementation of the „welfare state” model has brought about a marked deterioration in the economic situation: GDP fell, unemployment increased, inflation increased, the Swedish crown fell (its devaluation took place in 1992), and in 1993 the budget deficit reached an unprecedented level, unseen in other countries (-14.8% of GDP). Furthermore, Sweden's international competitiveness deteriorated significantly,

which was reflected in the deterioration of foreign trade performance, the decline in economic growth compared to other countries, and the decline in GDP per capita”.

As a result, the Swedish model of the welfare state underwent many modifications in the 1990s, but its foundations were not affected. It retained its universality, although both the entitlements and the value of benefits were from that point onward more strongly related to professional activity and wages.

Reforms initiated in the mid-nineties in Sweden covered many different activities in the sphere of socio-economic policy, including (Rubaj 2013, pp. 147-150):

- changes in macroeconomic policy, consisting primarily of the limiting of and more frequent control of budget expenditures, stabilizing monetary policy by increasing the independence of the Swedish Central Bank (Riksbank), stabilizing prices by introducing a consumer price index which would allow better control over inflation,
- the liberalization of credit markets and currency exchange, which in practice meant broader opening of the economy to transfers of other countries' capital, thus increasing competitiveness on the financial services market,
- a reform of the tax system, aimed at increasing the efficiency of work by lowering the highest tax thresholds, as well as being an incentive to save thanks to the simplification of the capital tax collection system and the separation of income generated from work from capital income,
- changes in the basic and supplementary pensions system, the linking of the contribution pension with the amount of the premium paid, the registration of contributions on individual accounts and a departure from the system in which the pension amount was guaranteed in advance, as well as a change in retirement age that allowed for prolonging the period of professional activity (the possibility to work until the age of 67),
- new legislation on competition rules was introduced, which in a transparent way limited the possibility of companies cooperating in order to unfairly combat their competition and exploit a monopolistic position on the market,
- the effectiveness of the companies operating in the public services sector has been increased through broader access to this market of private companies, thus increasing competition, while at the same time improving the quality of services provided,
- the scope and amount of housing subsidies financed from public funds were limited, and the costs were partly transferred to property owners.

Sweden is still in the lead among the OECD countries in terms of the share of public expenditure and social spending in GDP. The level of relative poverty and income contrasts are still lower in Sweden than in other European Union countries.

The Swedish model of welfare state has real economic and social advantages, which make it relatively well adapted to changes taking place in the modern economy. The Swedish economy – similarly to the economies of other Nordic countries – ranks among the world leaders in terms of competitive and innovative ability.

Social policy in Sweden is conducive to achieving a high employment rate and eradicating poverty. The high employment rate is influenced by an effective policy of women's employment support and the mobilization of difficult work resources, such as single parent families, older workers and people with disabilities.

Poverty in Sweden – both in general as well as among older people and children - remains relatively low (compared to OECD countries). Sweden, like other Nordic countries, reconciles the high level of social security of older people with an active pro-family policy.

Table 1. A synthetic ranking from the composition of competitiveness indices for the first 10 countries (2006)

Ranking	Country	Global Competitiveness Index	World Competitiveness Scoreboard	Inward FDI Potential Index	Business Competitiveness Index	Ease of Doing Business Index	Global Summary Innovation Index	Knowledge Economy Index	Corruption Perceptions Index	Quality of Life Index
1	USA	6	1	1	1	3	7	6	20	13
2	Finland	2	19	13	3	14	1	3	1	12
3	Sweden	3	14	7	7	13	2	2	6	5
4	Denmark	4	5	21	5	7	9	1	4	9
5	Singapore	5	3	5	11	1	5	20	5	11
6	Switzerland	1	8	20	4	15	3	11	7	2
7	Iceland	14	4	12	13	12	15	4	1	7
8	Norway	12	12	6	14	9	16	5	8	3
9	Canada	16	7	3	15	4	11	9	14	14
10	Netherlands	9	15	11	6	22	10	8	9	16

Source: Business and Investment Opportunities, Invest in Sweden, Report 2007/2008, Invest in Sweden Agency, Stockholm 2007, p. 12.

Transformation into the 21st century

The 21st century presents new challenges to the world, including the necessity of transformations in socially oriented European countries¹ – in the European welfare states,

¹ According to SylwesterZawadzki, the concept of „a socially oriented country” is the fullest reflection of the proper meaning of the welfare state, referring to the idea of social justice and freedom as a basic social value (Zawadzki 1996, pp. 53-54).

including Sweden. The catalog of changes that should take place in the European welfare states in the 21st century can be presented as follows (Pyka 2009, p. 56):

- the entrance of European societies into the era of knowledge, in which the basic resource of development becomes immaterial, and human capital escapes traditional rights of ownership, causing a socially oriented country in the 21st century to have to concentrate its activities on investing in people, their education and development of competences; the existence of schools that teach how to learn and support a permanent education process becomes indispensable,
- The development that „the 21st century welfare state” is to generate must result from the adoption of an endogenous development perspective. The scarcity – as well as the decreasing importance – of external resources make it necessary to refer to internal (given communities and groups of people) development potentials, strongly related to human capital,
- a 21st century socially oriented country requires to be viewed in a dynamic perspective. It is the result of the fact that the influence of the state is being reduced due to globalization. The loss of the role of the sole recipient of all social claims by the state by necessity requires making the welfare state doctrine a reality, which takes into account a progressive process in order to reach certain states,
- it is necessary to base the doctrine of a 21st century socially oriented country on the so-called active social policy. Taking into account the two previous postulates, individual participation is necessary in solving the challenges which they face. Passive payment of benefits in cash must – at least partially – be replaced by a policy where aid means activation. The policy of monetary benefits should be limited to the group of the most deprived persons,
- it is necessary to redefine the role of work in human life and redefine its productive and rewarded functioning in society, so as to equip it with the new economic foundations of its social existence, not necessarily related to the professional work, connected with the industrial society,
- Efforts are needed to gradually build the right superstructure in the welfare state, in form of the welfare world. The decline in the significance of the state and the globalization of economic phenomena require that democracy should also be globalized, and with it the values of a socially oriented country (international regulations enabling welfare state

functioning in the 21st century – the idea is not, however, to universalize the values of Western civilization),

- it becomes necessary to make everyone aware that the purpose of social functioning and development is not efficiency in itself or the growth of gross domestic product – the goal is to raise human well-being, which allows us to ascend to ever higher levels of his human existence.

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