GROWING INEQUALITY AND ITS IMPACTS IN SWEDEN

Johan Fritzell, Jennie Bacchus Hertzman, Olof Bäckman, Ida Borg, Tommy Ferrarini, Kenneth Nelson

Country Report for Sweden

December 2010
Table of Contents

Executive Summary ........................................................................................................ 1
1 Introduction .................................................................................................................. 5
  1.1 Macro-economy ......................................................................................................... 6
  1.2 Demography .............................................................................................................. 7
  1.3 Politics ...................................................................................................................... 9
  1.4 Outline ..................................................................................................................... 10
2 The Nature Of Inequality And Its Development Over Time ......................................... 11
  2.1 Has inequality grown? ............................................................................................... 11
    2.1.1 Household Income Inequality ............................................................................. 11
    2.1.2 Wealth and debt inequality ................................................................................. 18
    2.1.3 Labour market inequality ................................................................................... 21
    2.1.4 Educational inequality ....................................................................................... 25
  2.2 Whom has it affected? ............................................................................................... 27
  2.3 Why has inequality grown? .................................................................................... 29
  2.4 Conclusions ............................................................................................................ 30
3 The Social Impacts Of Inequality ................................................................................ 33
  3.1 Introduction ............................................................................................................. 33
  3.2 Material deprivation ................................................................................................ 34
  3.3 Cumulative disadvantage and multidimensional measures of poverty and social exclusion ........................................................................................................ 38
  3.4 Indicators of social cohesion .................................................................................... 40
  3.5 Family formation and breakdown, lone parenthood, fertility and implications for gender inequalities ................................................................................................. 41
    3.5.1 Composition of household universe and effects on income equivalence .......... 41
    3.5.2 Fertility and birth rates ....................................................................................... 42
    3.5.3 Marriages, couple formation and dissolutions of households ......................... 43
    3.5.4 Lone parenthood ............................................................................................... 44
  3.6 Population health and health inequality .................................................................... 45
    3.6.1 Mortality ............................................................................................................ 45
    3.6.2 Morbidity .......................................................................................................... 48
  3.7 Housing tenure ......................................................................................................... 49
    3.7.1 Tenure status ...................................................................................................... 49
    3.7.2 House prices ...................................................................................................... 52
    3.7.3 Expenditure mortgage/debt ................................................................................ 53
  3.8 Crime and punishment ............................................................................................ 56
3.8.1 Prison Population ................................................................. 57
3.8.2 Recorded Crimes, totals and breakdown by type .......................... 58
3.9 Subjective measures of well-being, satisfaction, “happiness” ............... 60
3.10 Intergenerational mobility ....................................................... 63
3.11 Conclusions ....................................................................... 63
4 Political And Cultural Impacts ....................................................... 65
  4.1 Introduction ....................................................................... 65
  4.2 Political and civic participation .................................................. 66
    4.2.1 Electorate turn out .......................................................... 66
    4.2.2 Unionization ................................................................. 69
    4.2.3 Civic Participation .......................................................... 71
  4.3 Trust in others and in institutions ................................................. 72
    4.3.1 Institutional trust ............................................................ 73
    4.3.2 Interpersonal trust ........................................................... 76
  4.4 Political values and legitimacy .................................................... 77
    4.4.1 Extreme right and left parties ............................................. 77
    4.4.2 EU membership approval .................................................. 78
    4.4.3 Attitudes to refugees ........................................................ 79
    4.4.4 Getting ahead in society ...................................................... 80
  4.5 Values about social policy and welfare state .................................. 82
    4.5.1 Opinions on income distribution ........................................ 83
    4.5.2 Ethnic tension .................................................................. 84
  4.6 Conclusions ....................................................................... 85
5 Effectiveness Of Policies In Combating Inequality ................................. 87
  5.1 Introduction ....................................................................... 87
  5.2 Labour income .................................................................... 88
  5.3 Taxation ............................................................................... 90
  5.4 Social policy and expenditures .................................................. 93
  5.5 Education .......................................................................... 99
  5.6 Conclusions ....................................................................... 101
6 Acknowledgements ................................................................... 103
References .................................................................................. 105
Appendix 1 - Log table Chapter 3 ..................................................... 115
Appendix 2 - Log table Chapter 4 ..................................................... 117
List of Figures

Figure 1.1 Real GDP growth (%) and total unemployment rates (%) in Sweden from 1980 to 2010. ............................... 7

Figure 1.2 Proportion of the total population aged 65 and above, 1980-2010. ................................................................. 8

Figure 1.3 Non-native population in Sweden from 1992 to 2009. .................................................................................. 9

Figure 2.1 Gini coefficient for equivalent factor and disposable income in Sweden from 1980 to 2010.
Old household definition. .................................................................................................................................................. 13

Figure 2.2 Gini coefficient for equivalent disposable income, incl. capital income, with new versus old
household definition. ....................................................................................................................................................... 13

Figure 2.3 Income shares for highest and lowest decile and Gini coefficient for equivalent disposable
income in Sweden from 1995 to 2010, including and excluding realised capital gains. .................................................. 14

Figure 2.4 Top income (10 % and 1 %) shares for equivalent factor and disposable income in Sweden
between 1995 and 2010. .................................................................................................................................................. 15

Figure 2.5 Percentile ratios - a) P90/P50 and b) P10/P50 - in the distribution of equivalent disposable
income in Sweden, 1995 to 2010. .................................................................................................................................. 16

Figure 2.6 At risk of poverty rate in Sweden between 1991 and 2007 according to a) anchored
poverty, threshold is set to the social assistance norm in 1991 adjusted for inflation and b) below 60 % of median income in the respective year. .............................................................. 18

Figure 2.7 Average net value of wealth by age groups and gender in Sweden 2007. All individuals with
values, i.e. those with zero wealth according to the registers are excluded. .................................................. 19

Figure 2.8 Individual wealth structure in Sweden 2007 by deciles (ranked from low to high net
wealth). ........................................................................................................................................................................ 20

Figure 2.9 Household net value of wealth in deciles in 1999-2007. Averages in 1000s SEK, 2007 price
value. ........................................................................................................................................................................ 21

Figure 2.10 Gini coefficient for annual earnings among all full-time full-year employees aged 20-64 in
Sweden between 1980 and 2010 and for women and men, respectively. .......................................................... 22

Figure 2.11 Percentage in households with weak labour market attachment 1990-2008 by
educational level. Swedish population at 20-64 years of age. ........................................................................ 23

Figure 2.12 Educational distribution, GINI coefficient, by birth cohorts 1920-1984. .................................................. 25
Figure 2.13 Proportion having at least secondary, upper secondary or tertiary education by birth cohorts

Figure 3.1 Proportion with Economic strain and No cash margin. Sweden 1980-2005 (two-year averages) by socio-economic group

Figure 3.2 Relative development (1990=100) of proportion of population with means tested social assistance benefits. All and long-term (10-12 months, pop. aged 16+). Sweden 1990-2010

Figure 3.3 Proportion (%) with no close friend in four age groups. Bi-annual averages. Sweden 1980-2011

Figure 3.4 Single households, by social class, 1980-2011

Figure 3.5 Fertility and birth rates, 1970-2010

Figure 3.6 Total first marriage rate and total divorce rate, 1970-1980

Figure 3.7 Families by type, with children aged 0-17, 2005-2010

Figure 3.8 Life expectancy at birth for women and men, 1980-2010

Figure 3.9 Infant mortality rate (per thousand), 1980-2010

Figure 3.10 Remaining life expectancy for Swedish women at age 30 by level of education

Figure 3.11 Psychological distress by age groups in 1968, 1981 and 2000. Odds ratios (OR) standardised by gender, country of birth, social class. Average odds = 1.0

Figure 3.12 Tenure status in Sweden compared to EU 27 and EU 15 2010

Figure 3.13 Tenure status 1975-2007

Figure 3.14 House prices for one or two dwelling buildings and consumer price 1981-2011. Source: Statistics Sweden. GDP per capita 1981-2011

Figure 3.15 Average housing expenditure in per cent of disposable household income according to tenure status 2004-2010

Figure 3.16 Housing cost overburden rate in Sweden compared to EU 27 and EU 15

Figure 3.17 The debts of the households related to the total housing asset

Figure 3.18 Prison admissions, Prison population on 1st October and average prison population 1995-2010 (per 100 000 of population)
GINI Country Report Sweden

Figure 3.19 Development in total reported crimes and total reported theft, robbery and fencing 1975-2011 per 100 000 inhabitants .......................................................... 58

Figure 3.20 Development of reported crimes for five crime types 1975-2011 per 100 000 inhabitants .......................................................... 59

Figure 3.21 Development of lethal violence 1975-2011, number of reported crimes and number of reported lethal violence per 100 000 inhabitants .......................................................... 60

Figure 3.22 Satisfaction with life, 1996-2011 .......................................................... 61

Figure 3.23 Subjective happiness and educational attainment, 1982-2006 .......... 62

Figure 4.1 Voter turnout on all three domestic levels of government, 1973-2010 .......... 66

Figure 4.2 Voter turnout in Parliamentary Elections, by level of education, 1988-2010 .... 67

Figure 4.3 Voter turnout in European Parliamentary Elections, 1979-2009 .......... 68

Figure 4.4 Voter turnout European Parliamentary Elections, by level of education, 1995-2009 ...... 68

Figure 4.5 Union density for all employees, 1980-2011 .......................................................... 69

Figure 4.6 Union density for all employees, by social class, 1990-2011 .......... 70

Figure 4.7 Political participation, 1980-2010 .......................................................... 71

Figure 4.8 Political participation, by level of education, 2010/2011 .......... 72

Figure 4.9 Ranking of Institutional Trust, 2010 .......................................................... 73

Figure 4.10 Institutional Trust, by level of education, 2010. Percentage reporting confidence in respective institution .......................................................... 74

Figure 4.11 Institutional Trust, 1986, 1988-2010 .......... 75

Figure 4.12 Trusting Parliament, by level of education, 1988-2010 .......... 76

Figure 4.13 Proportion agreeing that most people can be trusted, by level of education, 1982-2006. .......................................................... 76

Figure 4.14 Political colours in Swedish governments, 1969-2012 .......... 77

Figure 4.15 EU-membership approval; attitudes, 1992-2010, and referendum result, 1994. .......... 79

Figure 4.16 Proportion agreeing that it is a good idea to accept fewer refugees, 1990-2011 .......... 80

Figure 4.17 Getting ahead in society, 1991, 1999 and 2009 .......... 81

Figure 4.18 Getting ahead in society, by level of education, 2009 .......... 82
GINI Country Report Sweden

Figure 4.19 Income differences are too large/ Government should redistribute income, 1991, 1999 and 2009........................................................................................................................................ 83

Figure 4.20 Conflicts between Swedes and non-western immigrants, 2009.................................................. 85

Figure 5.1 Annual average earnings and unit labour costs in Sweden 1980-2010. Note: Earnings at 2009 constant prices. .......................................................................................................................... 89

Figure 5.2 Tax Revenues as percentages of GDP in Sweden 1980-2010: Total tax revenue, taxes on income and profits, social security contributions and value added tax........................................ 93

Figure 5.3 Tax Revenues as percentages of GDP in Sweden 1980-2010: Total tax revenue, taxes on income and profits, social security contributions and value added tax........................................ 95

Figure 5.4 Social expenditure (both cash and in-kind) as percentage of GDP according program branch in Sweden 1980-2007........................................................................................................ 96

Figure 5.5 Share of individuals aged 30 with at least two years of upper secondary education. Note: break in series 1999-2000 is due to change in original educational statistics.......................... 99

Figure 5.6 Expenditure of Primary, Secondary and Tertiary Education as Percentage of GDP in Sweden 1985-2008. .......................................................................................................................... 101
List of Tables

Table 2.1 Median equivalent disposable income in 1991 and 2010 for age-groups, household types and country of birth. Adjusted by consumer price index (2010 price level). ........................ 27

Table 3.1 Material deprivation (2 of 7) and severe material deprivation (3 of 7) by migration status and socioeconomic group 1990/91, 1995/96 and 2005/06. Swedish population 18-75 years of age. Per cent. ......................................................................................................................... 36

Table 3.2 Material deprivation (3 of 9) and severe material deprivation (4 of 9) in Sweden and EU 15 2004-2010. Populations at 16 years of age and older. Per cent. ................................................................. 37
Executive Summary

The aim of this country report is to present and examine patterns and trends in the inequality drivers in Sweden; highlight their potential relations to the social, political and cultural spheres, looking at the available evidence from research and national statistics; and point to the role of relevant institutions and policies. As with the project at large we focus on the changes from around 1980 and onwards.

Swedish society has undergone several substantial societal changes over the last decades. The most significant macroeconomic event is the deep recession in the early 1990s with negative growth three years in a row, skyrocketing unemployment and subsequent cutbacks in most social programmes. In contrast the 2008 crisis was less severe in Sweden compared to most other affluent countries. Sweden has also become much more ethnically diverse over this period and compared to other EU countries Sweden has now one of the largest proportions of foreign-born populations. In terms of party politics we should note that the hegemony of the Social Democratic party has been broken, and Sweden is since 2006 governed by a centre-right coalition.

Sweden has for long been renowned for having a compressed income distribution, reaching an all-time low of the Gini coefficient in around 1980. Since then, income inequality has increased substantially, especially from the mid-1990s and onwards. The increase in income inequality is characterised by a strong rise of top incomes and growing importance of capital income. During the last five to ten years we also find a substantial increasing gap between those in the bottom and those in the middle of the income distribution. Consequently, relative poverty increased and the P10/P50 ratio decreased. Part of the latter change is related to policy changes. In order to foster employment several earned income tax credits have been introduced and benefit programs have suffered from cutbacks, including social protection targeted at the unemployed and the sick. A marked widening income gap between employed and non-employed is therefore also visible during the 2000s. Related to this we find that an increasing proportion of young adults are neither in employment nor in education (NEET). Looking at the income situation for different population groups we note that single parents, immigrants and young people have a much less favourable average income development compared to couples with children, natives and middle- and old-aged.

In terms of more direct indicators of material deprivation we should first note that Sweden compares well in a European perspective with lower rates than most other countries. Still, we find clear differences between population groups and we can see that those outside the labour force did not
experience the recovery in terms of material deprivation that benefited other groups after the 1990s crisis. Take-up rates of social assistance, often used as an alternative poverty indicator in Sweden, show a strong increase during the 1990s crisis but the rate has since then fallen back to levels below the ones in 1990. However, most troublesome is the fact that long-term social assistance take-up is still considerably higher than in the pre-crisis period.

Sweden also scores high on more subjective indicators, such as subjective well-being, life satisfaction and happiness. Moreover, there are only relatively small differences in life satisfaction between people according to educational level.

The most heated debate on the impact of increasing income inequalities has been in terms of the relation to population health and health inequality. While Sweden, as most other countries, has seen a steady increase of life expectancy and decrease of infant mortality it is notable that socio-economic mortality differentials have increased substantially. In terms of morbidity indicators we find that the prevalence of self-reported ill-health shows a more or less immediate increase during the 1990s recession. For mental ill-health, the most notable change is the strong increase among younger persons.

Sweden performs comparatively well also in terms of institutional and interpersonal trust, often seen as a precondition of social capital. As with subjective well-being we cannot see any unambiguous change over the period we scrutinize. In contrast to subjective well-being we see a clear, and in some instance a widening, social gradient of trust. Another precondition of social capital is social networks, among them close friendship. We find that the proportion reporting having no close friend has decreased substantively during our time of measurement.

The Swedish housing market underwent a large restructuring during the 1990s. Larger shares of home-ownership and a decreasing rental sector coincides with marked increases in house prices, but unlike many other countries the 2008 financial crisis has so far not led to a downturn in prices.

Irrespective of changes in government during the last three decades it seems that support for the Swedish welfare state continues to be high and stable. Moreover, a clear majority of the population thinks that income differentials are too large and that government should redistribute income. Looking at voter turnout in national elections, as well as other forms of political participation, has decreased and the social gradient has become steeper.

Finally, we note several important institutional changes in tax and benefit systems. The fact that almost all taxes were increased and nearly all benefits suffered from cutbacks during the 1990s crisis is perhaps not so surprising. But also here the 1990s crisis seems to have had a longer time impact. Over the longer term, benefit levels have failed to keep up with wage increases and general income
growth. In addition, stricter eligibility conditions have been introduced in many social benefit programmes. In terms of the service side of the welfare state the most important change is the growing emphasis of private providers in public services and in education. In the fiscal system, the tax reform of 1991 represents a big institutional change. Seen over the whole period covered by this report we also note a substantial lowering of income and property taxation and an abolishing of wealth and inheritance taxes that contribute to increasing inequalities.
1 Introduction

The GINI research programme is focussed on changes in inequalities and their social, political and cultural impacts. Although several dimensions of inequalities are studied the key focus of attention is upon income inequalities. The aim of this country report for Sweden is to present and examine patterns and trends in the inequality drivers, highlight their potential relations in the social, political and cultural spheres, looking at the available evidence from research, and point to the role of relevant institutions and policies in ameliorating or exacerbating those effects. As with the project at large we focus on the changes from around 1980 and onwards. This country report presents national patterns and trends. In some sections we will however situate Sweden internationally, referring to cross-country trends and patterns.

The Swedish case is of obvious interest from several perspectives. First, Sweden tends to perform comparatively well in terms of almost all possible important equality dimensions. The social programmes of Sweden and the chief characteristics of them have been seen as an archetype of a specific welfare state model with a focus on universalistic systems. This involves principles in the design of social programs, including high levels of public service provision and levels of social protection, coupled with high tax levels. The focus on equality does not only refer to income or social class, but also with regards to gender. There are in other words many characteristics of the model, but when earlier research has singled out three fundamental features these are comprehensive, institutionalized and universal (Esping-Andersen and Korpi 1987; Kildal and Kuhnle 2005; Lundberg et al. 2008a and b). At the same time it is important to bear in mind that the characteristics of the Swedish social model are not static but are constantly changing over time. The most prominent changes in the Swedish welfare state are at the centre of this report.

The Swedish case is interesting also from the perspective of the present financial and economic crisis. Sweden experienced an almost unthinkable recession in the early 1990s. The experiences and social consequences of this macro-economic development is highly relevant for our understanding of the present global economic crisis, which so far has been mild in Sweden compared to most other countries.

Also in terms of demographics the Swedish development is interesting, not the least since Sweden was one of the first countries to experience the problem of ageing of populations. The large number of immigrants and the heterogeneity of the Swedish population in terms of ethnicity is another development that provides challenges to the Swedish welfare state. During a relatively short period
of time Sweden has become one of the most heterogeneous societies in Europe in terms of country of birth. It is here important to note that the reasons behind migration to Sweden have changed over time, likewise the composition of the immigrant population.

Moreover the political landscape of Sweden and politics pursued are changing. Sweden, the archetype for Esping-Andersen’s (1990) third regime cluster the ‘social democratic’ regime type, has had several non-social democratic governments over the last decades, quite many new parties have entered the parliament and the politics pursued have changed significantly since the heydays of welfare state expansion in the immediate post-war decades.

In this short introductory chapter we describe some of the key macro-level changes that have occurred in Sweden since the 1980s, thus providing a broader framework to the more specific information and analyses in subsequent parts of the report. We will begin to outline the macroeconomic trends and proceed with the demographic changes. We finish this section with a brief introduction to Swedish politics.

1.1 Macro-economy

When giving a short background on the Swedish macro-economy during the last decades it is difficult not to start with the economic crisis that hit Sweden in the early 1990s. The welfare consequences of the crisis were thoroughly investigated by the Governmental Swedish Welfare Commission (see e.g. Palme et al., 2002; 2003). During a short period of time employment declined by over a half million people, unemployment skyrocketed from 1.7 to 8.3 per cent (according to newer EU/ILO-adjustment of how to measure unemployment the increase was actually even bigger). This initial economic chock led to the so-called Crisis Packages, where the Government and the Social-Democratic opposition joined forces to combat the crisis. In November 1992 the fixed exchange rate of the Swedish currency was finally abolished, as a means to stop speculation against the Swedish economy. The interest rate was set to 500 per cent a few days before the floating of the Swedish currency. Not surprisingly the Government finances were in serious trouble and in the coming years almost all taxes were increased and almost all benefits were reduced.

In Figure 1.1 we show annual real GDP growth and total unemployment levels from 1980 to 2010. Although the 1990s crisis is clearly visible in the GDP curve it is amazing how little long-term impact the crisis have had on economic growth. The situation is somewhat different when focus is shifted from trends in GDP to the development of unemployment. The dramatic increase in unemployment following the 1990s economic crisis is clearly visible, likewise the higher unemployment levels that
have come to characterise the Swedish economy. Although unemployment levels went down somewhat in the mid-1990s, unemployment is far from those levels recorded in the 1980s. Just as unthinkable as the unemployment levels in 1992 was in the 1980s, just as unthinkable the low unemployment levels of the 1980s seem today.

**Figure 1.1 Real GDP growth (%) and total unemployment rates (%) in Sweden from 1980 to 2010.**

![Graph showing Real GDP growth and unemployment rates in Sweden from 1980 to 2010](source: OECD (2012)).

1.2 Demography

As most other countries the demographic transition has led Sweden to a process of ageing. What is interesting here is that Sweden was a forerunner in this regard. In other words, Sweden had already some decades ago a quite old population, and the proportion of oldest old as well as the dependency ratio were much higher than in most other countries. Since the 1980s changes of the age structure of the Swedish population have been less substantial. Figure 1.2 shows the proportion of the total population aged 65 and above from 1980 and onwards. The changes to the share of elderly citizens are quite small and there was even a slight decline in the 1990s. However, over the whole period the proportion of elderly has increased.
In terms of demographic trends and the ageing of societies the prognosis for the coming decades is interesting as it may reveal some of the future challenges to contemporary welfare states. An international forecast by the OECD (2011) shows that the proportion of the oldest old, aged 80+, is increasing in all OECD-countries. From a Swedish perspective it is noteworthy that Sweden today has a higher proportion than the OECD average, but that the expected increase until 2050 is much smaller than the OECD average.

Another significant societal change in the Swedish society concerns the increased diversity according to ethnicity among the population. Figure 1.3 shows the proportion of the total population born outside Sweden during our time horizon. There is a steady increase of immigrants over the period. According to Eurostat (2011) Sweden has one of the largest shares of non-native born citizens in Europe.

Before the economic crisis of the early 1970s most immigration was labour migration, something that changed from the 1970s and onwards, where after a larger share of migrants have been refugees, typically from South America in the 1970s, Iran and the Middle East in the 1980s and former Yugoslavia in the 1990s. Since then migration from countries on the African continent have increased (for a more thorough review see e.g. Gerdes and Wadensjö 2012; Helgertz 2010). As in many countries a large share of immigration was family-related. As we will touch upon here and there in the report the topic of migration is significant in many ways. First, migrants, and especially migrants from poorer countries, have worse living conditions, lower employment rates and much higher poverty risks in Sweden (Palme et al. 2002; Fritzell et al. 2012). Second, ethnic diversity is by some seen as a key challenge for welfare state arrangements (e.g. Putnam 2007; Eger 2010). For
example, Alesina and Glaeser (2004) have suggested that ethnic diversity erode welfare state support, something that continuously is challenged (see e.g. Roemer, Lee and van der Straeten 2007; Finseraas 2012). This will be further discussed in Chapter 4.

Figure 1.3 Non-native population in Sweden from 1992 to 2009.

Source: OECD (2012).

1.3 Politics

When it comes to partisan politics, Sweden has for long been regarded as typical social-democratic welfare state (Esping-Andersen, 1990). However, during the last decades Sweden has been governed by several centre/right governments. From 2006 and onwards the Swedish government have been headed by Moderaterna, a party oriented to the right (see further Chapter 4).

Interestingly enough, the hegemony maybe less broken in terms of rhetoric and political debate. Accordingly, Moderaterna has tried to position themselves as “the new labour party”. Another change over the last decades is that several new parties have entered the Swedish parliament, including the Christian Democrats, the Green Party, New Democracy and the Swedish Democrats. Additionally, an important political transformation is the Swedish succession to the European Union in 1995. Needless to say a number of important policy changes have occurred during the period under scrutiny and we will return to many of these in the forthcoming chapters.
1.4 Outline

The fundamental macro-level changes noted above set the scene for this country report. In most of the chapters we will study topics that in different ways are linked to this general scenario. The structure of the report is as follows. In Chapter 2 we describe the extent and nature of inequality and its development over time in Sweden. We provide a detailed analysis of inequality drivers, including changes of the income distribution, wealth and educational outcomes. In Chapter 3 we focus on possible social impacts of inequality. Here we analyse levels and differences in more diverse spheres of life, such as the family, health, and housing. We analyse both changes over time and possible social gradients. Although our causal ambitions are modest it is of course an underlying theme if these changes follow those reported with regard to the inequality drivers. In Chapter 4 we address political and cultural impacts. The basic design follows that of the preceding chapter, but concentrates on political participation, values and various dimensions of trust. In Chapter 5 we investigate the institutions of the Swedish welfare state, including social protection and public services. Both the structure and effectiveness of institutions combating inequality are addressed. Particularly the generosity and distributional aspects of social protection are in focus.
2 The Nature of Inequality and Its Development Over Time

Our focus in this Chapter is the development of inequality in Sweden over the last decades. As earlier mentioned Sweden, together with the other Nordic countries, has a strong and solid reputation of being one of the most equal societies in the World. In fact, when the chief characteristics of the Nordic welfare state model are pinpointed the relatively compressed income distribution and the successful poverty alleviation are often mentioned as key outcomes (Kautto et al. 2001; Kildal and Kuhnle 2005; Kvist et al. 2012). This is also corroborated by a lot of comparative research over the years, starting off with the birth of the Luxembourg Income Study (LIS), from which it was made clear that substantial cross-national variations of income inequality, redistribution and poverty rates existed also among rich countries. Based on LIS data from the beginning of the 1980s, it was evident that the Nordic countries had the lowest levels of income inequality (for an overview of basic findings and insights from LIS, see e.g. Atkinson 2004). This conclusion has also a bearing on our investigations. Since this is our starting point in time it means that we start with inequality numbers much lower than in most other countries.

2.1 Has inequality grown?

Our basic dimensions of inequality to be dealt with in this chapter are income, wealth and education. We concentrate mostly on income, looking both at earnings, pre- and post-taxes and transfers as well as changes in different parts of the income distribution.

2.1.1 Household Income Inequality

In Figure 2.1 we show trends in disposable income and factor (basically pre-transfer and taxes) income in Sweden from 1980 and 2010, as given by Statistics Sweden. Unless otherwise stated all incomes are adjusted by an equivalence scale in order to simultaneously take household size and economies of scales into account.  

1 The equivalence scale used in Figure 2.1, and in other figures of this chapter unless otherwise stated, is used in most official statistics in Sweden. It gives a weight of 1 of a single-person household, a weight of 1,51 to a
There are a number of caveats that should be mentioned before scrutinizing these trends. First, Swedish income statistics used to have a peculiar household definition which basically implied that all persons aged 18 and above were considered as household of their own, irrespective of living with their parents or not. Since the early 1990s it has been possible to apply a more realistic household definition, something that reduces the Gini coefficient by around 0.025 (see Figure 2.2). Second, the major Swedish tax reform in 1991 marks a break in Swedish income statistics. Different calibrations and revisions performed by Statistics Sweden for the year 1990 suggest that measurement technicalities related to reform increased the Gini coefficient by close to 0.02. The tax reform might of course also have had a real impact on inequality but here we focus on the measurement issue. Third, notwithstanding the problems above the Gini coefficient is generally higher in national official statistics compared to many international comparisons, e.g. those based on LIS-data. This is mainly due to the measurement of capital income, which is more inclusive in national income statistics than in international databases because realised capital gains is included in disposable income. Given the highly skewed distribution of capital income this also tends to increase the Gini coefficient, although the magnitude varies between years. The inclusion of realised capital gains also means more short-term fluctuation both of the Gini and most likely also at the household level.

Some stylised facts are obvious from the overall trends presented in Figure 2.1, in which we use the old household definition in order to be able to cover the whole period from 1980 to 2010. First, inequality has undoubtedly increased, second the increase is evident for both factor income and disposable income and third, the increase is sharper for disposable income, i.e. when we take transfers and taxes into account.

couple, an additional factor of 0.6 for other adults, 0.52 for the first child and additional weights of 0.42 for subsequent children.

\(^2\) In principle all realised capital gains that are taxable are included in this income concept.

\(^3\) In diagrams covering the period from 1980 we use the old household definition. In diagrams starting in 1991, or later, we use the new and improved household definition.
Figure 2.1 Gini coefficient for equivalent factor and disposable income in Sweden from 1980 to 2010. Old household definition.


It is important to stress that the measurement issues discussed mostly affect the level of inequality and to a lesser extent the trends. As seen in Figure 2.2. in which we compare the old and new household definition during the years that we can make such a comparison (1991-2010) the curves almost exactly follow each other but the improvement of the measurement of households decrease the Gini with about 0.025 in later years.

Figure 2.2 Gini coefficient for equivalent disposable income, incl. capital income, with new versus old household definition.

From earlier research we know that two, interrelated, factors are especially important in accounting for these overall trends. First, the issue of capital income and especially capital gains and second, what is happening at the top of the income distribution (Roine and Waldenström 2008; Björklund and Jäntti 2011; OECD 2011; Fritzell et al. 2012). To highlight these aspects we show some additional figures. Figure 2.3 gives the corresponding trends in equivalent disposable income from 1991 and onwards, including and excluding realised capital gains. Moreover, the figure shows the income shares for the highest and lowest 10 per cent, once again including and excluding realised capital gains.

Figure 2.3 Income shares for highest and lowest decile and Gini coefficient for equivalent disposable income in Sweden from 1995 to 2010, including and excluding realised capital gains

The major difference when comparing the different Gini is, again, in terms of levels but actually also the trend is affected. This implies not only that this income source has a much more skewed distribution but also that it has, during the latest decades, become more important for those at the top of the income distribution. When comparing the income shares of the top and bottom deciles such a development is underscored. Whereas the income share for the top 10 per cent increases in every year when including realised capital gains it has a much larger impact in the 2000s.\(^4\) Not surprisingly, the choice of including or excluding capital gains has little impact at the lower end of the distribution.

\(^4\) The peaks we see in the figure are mostly due to ups and downs on the stock market.
In Figure 2.4 we instead focus on the top of the income distribution showing the total income share going to the top 10 and top 1 per cent of the income distribution looking both at factor and disposable income. The changes at the top show quite a dramatic development. There are strong fluctuation due to business cycles and changes of taxation rules, but the overall trend is clearly that “the rich is getting richer”, not only absolutely but also relatively. Merely focussing on the top 1 per cent and just comparing the starting and end points (1995 and 2010, respectively) we see that the income share of factor income has increased with 3.3 percentage points (or more than 50 per cent) for equivalised factor income and with 3 percentage points (or about 73 per cent) for equivalised disposable income. Similar developments have been observed in Finland and Norway. It has been suggested that one driving force behind these changes was the introduction of the so called dual income tax model (Sørensen 1994) introduced in connection to tax reforms in the 1990s (Riihelä et al. 2008; Fritzell et al. 2012). Although the dual income tax model in detail looks different in different countries it basically meant that capital income was taxed at a flat-rate irrespective of labour income and that it gave high income earners a strong incentive to shift earnings to capital income.

Figure 2.4 Top income (10 % and 1 %) shares for equivalent factor and disposable income in Sweden between 1995 and 2010.

But inequality changes have also occurred in the lower tail of the income distribution in Sweden. In Figure 2.5 we present two so called percentile ratios, p90/p50 and p10/p50, where the income levels

---

5 Due to the mentioned measurement issues it is not possible to capture the whole period with total comparability but looking at various time trends for various periods suggest that also during the earlier period 1980-1995 we find an increase, though less dramatic, of the income share for top income earners.
GINI Country Report *Sweden*

at the 90\(^{th}\) and 10\(^{th}\) percentiles are compared with the median. The incomes of people in the lower part of the distribution have not kept up with the incomes of those at top, but they have also fallen behind the growth of people with median income. In fact, since 2003 and especially during the last 5 years or so there seems to be more changes in the bottom than in the top.

In other words, the common story of increases at the top of the distribution needs to be complemented when we focus on the more recent changes of income inequality. From an equity point of view this evolvement is troublesome. Potential key mechanisms for this decline in the relative incomes of poorer households are discussed in the concluding section of this chapter and also in Chapter 5.

**Figure 2.5 Percentile ratios - a) P90/P50 and b) P10/P50 - in the distribution of equivalent disposable income in Sweden, 1995 to 2010.**

\( a)\) P\(90/50\)
The drop of the P10/P50 ratio indicates that the so-called EU at-risk-of-poverty rate should have increased, which is also confirmed both by national and cross-national analyses (Socialstyrelsen 2010; Björklund and Jäntti 2011; Fritzell et al. 2012). In Figure 2.6 we show the EU at-risk-of-poverty rate between 1991 and 2007. The EU at-risk-of-poverty rate is for each year set at 60 per cent of the equivalised median household income in total population. In addition we show an anchored poverty rate, which for each year use the inflation-adjusted 1991 poverty threshold. The anchored threshold is calculated as having an income below the norms for social assistance in the first year and then only adjusted for inflation.

As can be seen the two curves are at first quite similar but then provide very different trends. Whereas the EU at-risk-of-poverty rate clearly has increased, the anchored poverty rate first increases, during and in the aftermath of the recession, but then declines. The diverging trends are of course due to the marked income increase that has occurred over this period where median incomes are much higher at the end of the period.

The sharp increase in the EU at-risk-of-poverty-rate in Sweden from around 1995 is at odds with most other rich Western countries, perhaps with the most notable exception of Finland where poverty rates seem to have increased even more. In most other rich countries poverty rates have been relatively stable or even decreased somewhat from the mid-1990s (Fritzell et al. 2012). However, it should be noted that still around 2005 relative poverty rates were lower in Sweden than in most other rich countries.
Figure 2.6 At risk of poverty rate in Sweden between 1991 and 2007 according to a) anchored poverty, threshold is set to the social assistance norm in 1991 adjusted for inflation and b) below 60% of median income in the respective year.

Source: Socialstyrelsen (2010).

2.1.2 Wealth and debt inequality

To capture the distribution of wealth in societies is notoriously difficult both conceptually and from a measurement perspective. In Sweden almost all of the information on wealth is coming from tax and other population registers. When Sweden abolished wealth taxes in 2007 this had a direct repercussion on the possibility of reporting the distribution of wealth in Sweden. The latest year that Statistics Sweden has reported micro-level wealth information is therefore 2007. Reasonably comparable data exists between 1999 and 2007. For individuals the data covers the whole population. For household data the starting points are the sampled households in the income distribution surveys.

The register-based information on assets and debts are on the whole likely to be of high quality. However, some assets are less likely to be recorded and other maybe systematically undervalued, whereas the information of debts are more likely to be correct.\(^6\)

\(^6\) Information on assets and debts stem from tax registers, including housing ownership. Market evaluation of home-ownership and tenant-owned apartments (bostadsrätter) was calculated by Statistics Sweden on the basis of actual prices of transfers within an area (that could be the neighbourhood or some larger area like the municipality). In some cases the taxation value of tenant-owned apartments were used which grossly underestimated the market value. Assets like cars, boats, jewellery, arts were not included in the wealth calculation, unless it was given in the income-tax return form. Financial assets were captured, but bank accounts had normally a lower limit of 10 000 SEK. Debts would normally be captured with great accuracy,
Given the fact that a large fraction of the population has negative wealth in these measurements makes the interpretation of the summary measures more questionable and we will here instead present more descriptive information on the wealth distribution. Figure 2.7 shows the average net value (total assets - debts) in 2007 by age groups, separately for all men and women. The figure displays this for individuals so that only assets owned by the individual, including children, are counted. In the figure individuals with a zero value are excluded. The age profile for both women and men is basically the same. For women and men alike it does not peak until the age group 65-74, and it is actually about the same for those above 75 years of age as for the 50-64 age group. There is however one distinct difference between women and men. Before the age of 50 we see relatively low values for both genders, but after 50 we see a markedly different picture with much higher net values for men.

![Figure 2.7 Average net value of wealth by age groups and gender in Sweden 2007. All individuals with values, i.e. those with zero wealth according to the registers are excluded.](image)

Source: Statistics Sweden 2012.

We have some scattered information on how the distribution of wealth by age has changed over a longer period. In a report by Statistics Sweden they made an effort in comparing the age distribution of wealth in 1997 with the situation two decades earlier. Interesting enough, they concluded that in the late 1970s it was those aged 45-54 who had the largest total wealth, whereas 20 years later it was those aged 65-74, i.e. the same birth cohort (Statistics Sweden 2000; Palme et al. 2003). In that since paid interest leads to tax deduction but some debts between private persons might not be included. More details are given in Statistics Sweden (2007).

7 This means that if a house, or any other asset, is owned by a couple each individual is assigned a value corresponding to its share.
report they also found an increase of inequality as measured by the Gini coefficient. A study by Klevmarken (2006) illustrates well how sensitive the Gini is to negative wealth. When analysing SHARE data covering only those aged 50+ (with on average high assets and low mortgages) Gini in Sweden is around 0.59, whereas data covering the whole Swedish population often finds Gini of around 0.85.

In figure 2.8 we report the average net wealth by deciles (ranked by net wealth value) but also how it is composed, separating real and financial assets and debts. The figure clearly shows how skewed the distribution of wealth is and that the average is negative in the two first deciles, i.e. debts are larger than total reported assets. We also see that real assets, estates and owner-occupied apartments, constitute the largest component across all deciles.

**Figure 2.8 Individual wealth structure in Sweden 2007 by deciles (ranked from low to high net wealth).**

In Figure 2.9 we move from the latest cross-sectional picture to look at the development in 1999-2007 for ten groups ordered by the decile values of the net wealth distribution. Unlike the former figures we here show the distribution of household wealth. Although the eye mainly catches the increasing wealth at the top of the distribution, we find increases also in the middle of the distribution. In fact if calculating the ratio of the top decile to the overall average it has declined.
somewhat from 6.18 in 1999 to 5.62 in 2007. Looking at the bottom of the distribution we find very small changes over time. In all nine years the three lowest categories have a negative value.

Figure 2.9 Household net value of wealth in deciles in 1999-2007. Averages in 1000s SEK, 2007 price value.


2.1.3 Labour market inequality

A main driver for changes in disposable incomes for most households is of course changes related to the labour market. Basically these can be divided into changes in wage rates and changes in working hours. Figure 2.10 shows the Gini coefficient for annual earnings for all full-year, full-time employees 1980-2010, also separated for women and men. Once again, we see a measurement impact from the tax reform (the change from 1990 to 1991) but an increase of the Gini coefficient is apparent also beside that technicality. Looking at changes for women and men together there was an increase in the Gini coefficient by around 0.02 in the 1990s, whereas it is difficult to find any clear trends during the 2000s apart from yearly fluctuations. Focussing on women and men separately gives a similar picture, although the increase for full-year, full-time women are slightly larger during the 1990s. The

---

8 However, it is not totally clear if this reflects a real change or a measurement change. According to Statistics Sweden (2010) there was an increased possibility of also including bank accounts with relatively small amounts from 2006 which might in particular have affected those around the median.

9 Statistics Sweden gives development for an income concept called income from work (arbetsinkomst). This income concept is more inclusive than earnings since it also includes sickness pay and income from the parental leave system. It also in principle includes self-employment income but self-employed are not included in the population for Figure 2.10.
increase during the 1990s was driven by the managerial wage premium especially in the private sector (Palme et al. 2003).

Figure 2.10 Gini coefficient for annual earnings among all full-time full-year employees aged 20-64 in Sweden between 1980 and 2010 and for women and men, respectively.

The development of labour income inequality for full-time full-year employed persons corresponds quite well to the general increase in income inequality during the 1990s. However, it is obvious that the distribution of income is determined by a complex set of factors beyond earnings. In particular we can note that the labour market income inequality, as given in Figure 2.10, does not correspond well to the increased inequality in disposable income during the 2000s. However, this does not mean that one’s relation to the labour market has become less important, on the contrary. For example, between 1999 and 2010 average disposable income among those employed increased by 37 per cent whereas the corresponding increase for non-employed only is 6 per cent (Statistics Sweden 2012).

Thus, the gap between insiders and outsiders on the labour market has grown considerably and in particular during the last five or six years (see further, Chapter 2.2). This relatively recent change coincides in time with the centre-right government holding office in Sweden. In fact, this is not a coincident, nor an unintended consequence of politics. Among other things the present government has introduced a series of earned income tax credits, thus lowering the tax burden on employment income. We will return to this topic in Chapter 5.

A central EU-indicator of deprivation measures the proportion of the population living in households with weak labour market attachment. This indicator, which measures the share of persons aged 18-
59 living in households where no one works, is not available in longer time series in public databases in Sweden. However, we have created a similar indicator on the basis of administrative register data. Naturally the indicator deviates from the EU-definition and measures the share of persons aged 20-64 who live in households where two or more adults have weak labour market attachment (in single adult household: one adult). Weak labour market attachment is defined as having an annual labour market income below one price base amount (PBA). The PBA is a tool used by the government to calculate e.g. pensions, but is used in several other contexts as well. It follows the consumer price index and in 2012 it amounts to SEK 44,000 (approx. € 5,000).\(^\text{10}\) Figure 2.11 shows the development of this indicator for the years 1990-2008 stratified by educational level.

**Figure 2.11 Percentage in households with weak labour market attachment 1990-2008 by educational level. Swedish population at 20-64 years of age.**

![Graph showing percentage in households with weak labour market attachment by educational level from 1990 to 2008.](image)

Source: Statistics Sweden’s LISA database, own calculations.

As expected, there is an increase of persons in weak labour market attachment households during the 1990-crisis in all three educational groups. For those with upper secondary or tertiary education the level seems to establish itself at a higher level. For the low educated the increase stops in the second half of the 1990s as well, but from 2001 we note a new increase which continues through the remaining years in the data series. This development does not appear for the other two educational groups. Thus, the familiar development whereby the poorly educated finds it increasingly difficult to get a foothold in the labour market can be discerned in Sweden as well.

\(^{10}\) An annual income from a full time job in the lowest paid jobs in the Swedish labour market approximates 3.5 PBA (Socialstyrelsen, 2010).
A similar, but still slightly different indicator of more permanent precariousness in the labour market has been reported by the National Board of Health and Welfare (Socialstyrelsen). The indicator measures the number of persons with a very weak labour market attachment and who are not in education, a group sometimes labelled as NEET (Not in Employment, Education or Training, e.g. Bynner and Parsons 2002). In contrast to the group captured by the indicator in Figure 2.11 this group is constituted by those with virtually no labour market income in two of three consecutive years and who are not students.

**Figure 2.12 Proportion of persons in three age groups persistently not in employment or education (NEET). Sweden 1992-2006.**

![Graph showing proportion of NEET by age group and gender from 1992 to 2006.](image)

Source: Socialstyrelsen (2010).

As indicated by Figure 2.12 for both men and women there are no or very small age differences in the prevalence of NEET before the 1990-crisis. Particularly for women this is followed by a rapid increase during the crisis years in the youngest age group. In the other age groups we see only small changes during these years (for women aged 35-64 there is no increase). During the recovery period in the latter half of the decade the proportion of NEET falls, but for the youngest age group it remains at a level well above that of the other age groups and after the turn of the century it starts increasing again. Thus, a shift seems to have taken place whereby an increasing number of young Swedish adults stand at a far distance from the labour market.
2.1.4 Educational inequality

While educational inequality is by most seen to be of utmost importance, since education provides skills and are closely linked to the labour market, it is less obvious how it should be measured. One such approach is to adopt a similar strategy as to the measurement of the distribution of income. One can then in different ways try to summarize educational attainment into a number. This approach has been followed with the GINI-project and we here present some of these outcomes. In Figure 2.13 we show the Gini coefficient of years of education for different five-year birth cohorts according to three different data sources. In summary the expansion of the educational system has meant that the Gini coefficient for education decreases.

Figure 2.12 Educational distribution, GINI coefficient, by birth cohorts 1920-1984.

![Graph showing Gini coefficient for years of education by birth cohorts]


Figure 2.14 gives a clue to why this has happened; a larger part of later cohorts has at least a secondary education. And the same of course goes for higher education. The fact that this trend to some extent seems to be broken in the last cohort is probably due to the fact that not everybody in this cohort has finalized their educational attainment. In sum the decrease of inequality is profound, but it is to a large extent driven by the educational expansion as such.
An alternative approach to educational inequality concerns the relation between educational attainment and social origin. This more sociological approach is of course firmly rooted in social stratification research focusing on the links between socioeconomic position of parents and the own educational attainment, and how that in turns influence social mobility in the social structure. Focussing here only on the first link, i.e. social background and education, we can state that it represent a key aspect of inequality of opportunity and the philosophical idea of an open society. Such studies control for educational expansion, in the sense of comparing the differences in relative chances to get a certain educational credential.

A conclusion from an earlier large-scale comparative project on 13 countries was that Sweden and the Netherlands were the only two countries in which an equalisation of educational opportunity was found (Shavit and Blossfeld 1993). However that conclusion was basically founded upon analyses of cohorts that to a large extent got their educational attainment before the time period we consider. Later analyses done within the EQUALSOC- Network suggest that more countries have experienced declining inequality in this sense and that Sweden belongs to a group of countries with relatively low class-based inequality for both men and women (Breen et al. 2010).

---

11 Secondary - Lower secondary or second stage of basic education; Upper Secondary - Upper secondary or Post-secondary non-tertiary; Tertiary - First stage of tertiary or second stage of tertiary.
2.2 Whom has it affected?

The earlier reported changes of the income distribution in Sweden over the latest decades then consist of two major trends: an overall increase of the average incomes of the population and an overall increase of income dispersion. These changes are however to a different degree true when looking at the changes of different household types. Table 2.1 shows the median income changes for various household types by age, family type and ethnicity. Due to the earlier mentioned changes of the household definition we concentrate on the period 1991-2010. The first two columns give the median equivalent disposable income for each subgroup, adjusted for inflation. In the third we give the relative change for each subgroup. The overall increase is, from an international perspective, very large (36 %). In other words, those categories that have gained less than 36 per cent have a less advantage development than the overall median.

<table>
<thead>
<tr>
<th>Age</th>
<th>1991</th>
<th>2010</th>
<th>% change/100</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-29</td>
<td>148,8</td>
<td>181,4</td>
<td>0,22</td>
</tr>
<tr>
<td>30-49</td>
<td>154,8</td>
<td>208,1</td>
<td>0,34</td>
</tr>
<tr>
<td>50-64</td>
<td>185,5</td>
<td>254,1</td>
<td>0,37</td>
</tr>
<tr>
<td>65-74</td>
<td>136,1</td>
<td>198,9</td>
<td>0,46</td>
</tr>
<tr>
<td>75+</td>
<td>102,6</td>
<td>143,4</td>
<td>0,4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Household type</th>
<th>1991</th>
<th>2010</th>
<th>% change/100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single, women</td>
<td>116,1</td>
<td>143</td>
<td>0,23</td>
</tr>
<tr>
<td>Single, men</td>
<td>143,6</td>
<td>187,1</td>
<td>0,3</td>
</tr>
<tr>
<td>Single mothers</td>
<td>116,4</td>
<td>138,3</td>
<td>0,19</td>
</tr>
<tr>
<td>Single fathers</td>
<td>150,4</td>
<td>175,1</td>
<td>0,16</td>
</tr>
<tr>
<td>Couples without children</td>
<td>181,8</td>
<td>253</td>
<td>0,39</td>
</tr>
<tr>
<td>Couples with children</td>
<td>146,9</td>
<td>207,2</td>
<td>0,41</td>
</tr>
<tr>
<td>Age</td>
<td>1991</td>
<td>2010</td>
<td>% change/100</td>
</tr>
<tr>
<td>-----</td>
<td>------</td>
<td>------</td>
<td>--------------</td>
</tr>
<tr>
<td>Country of birth</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Born in Sweden</td>
<td>152,1</td>
<td>211,8</td>
<td>0,39</td>
</tr>
<tr>
<td>Born outside Sweden</td>
<td>137</td>
<td>162,1</td>
<td>0,18</td>
</tr>
<tr>
<td>All</td>
<td>150,9</td>
<td>205,1</td>
<td>0,36</td>
</tr>
</tbody>
</table>

Source: Statistics Sweden 2012.

Obviously the changes are less advantage for some groups. In particular we can note that immigrants, young adults and single parents have a much lower increase in median incomes. It should be noted that these three categories also started off from low income levels. The Swedish Welfare Commission singled out at these categories as the three subgroups most negatively affected by the turbulent decade of the 1990s (Palme et al. 2002; Fritzell et al. 2007). The table indicates that when focusing on income levels this conclusion remains unchanged when we now can include another decade to these trends. In fact concentrating on the developments in 2000s the economic situation for single mothers is especially worrisome. Although this group tends to be an economically vulnerable in all countries this group has had a comparatively good situation in Sweden, not least due to high labour force participation rates. But also the labour force participation for single mothers has declined substantially over the last decade.

More generally the distinction between employed and non-employed has become more marked in Sweden. As we noted earlier this increasing gap between employed and non-employed have in particular been noted over the last decade. Summing up the two overall trends we can say that income levels in fixed prices have increased across the income distribution but much more so for those with high income. Looking at subgroups of the population we find that, between 1991 and 2010, especially three categories have had a relative poor development: young, single mothers and immigrants. Population categories that have a particularly troublesome position on the Swedish labour market.
2.3 Why has inequality grown?

To fully explain why inequality has grown is a huge task. We find it constructive to at first mention something of the period before the 1980s. There is strong evidence that income inequalities in Sweden decreased quite dramatically over a long period of time. One contributing factor to this is probably the values of equality that has had a major impact in politics, to a larger extent in the Nordic countries than in most other countries. But as noted for example by Björklund and Jäntti (2011) we also find a strong union, large redistributive systems of taxes and transfers, the introduction of institutions that have promoted women’s participation on the labour market and so on. To specify the exact contribution of each of these, and other, factors is probably an impossible task. Instead it might be fruitful to note that many of these aspects are related and may have cumulative effects. The idea of an “equality multiplier” recently put forward by Barth and Moene (2011, p. 37) is interesting from this perspective:

“….economic and social equality can multiply due to the complementarity between wage determination and welfare spending. On the one hand a more equal wage distribution fuels welfare generosity via political competition. This is the equality magnifying effect. On the other hand a more generous welfare state fuels wage equality further via its support to weak groups in the labour market. This is the wage equalization effect. Together the two effects generate a cumulative process that adds up to a sizable social multiplier.”

However, during the last 30 years we then find changes in the opposite direction. We have seen that income from capital is one important reason for the increase, whereas the wage distribution is relatively unchanged. Another important finding is that the economic crises of the early 1990s and 2008-09 had relatively small direct and immediate effects (cf. Björklund and Jäntti 2011).

Over the last decade we also find a kind of multiplier effect in the bottom of the distribution. In order to increase work incentives we have seen cuts in various social programmes (see further Chapter 5) and several earned income tax credits reforms have been implemented. Not surprisingly we therefore find a growing income gap between those employed and non-employed.

Going back to the passion for equality it seems easier to explain how this comes about (Korpi and Palme 1998) than to explain why the politics aiming towards equality has changed. As noted by Björklund and Jäntti (2011) the empirical support for explaining factors such as; increased economic pressure caused by globalisation, changes of attitudes and an increased heterogeneous population is weak. Even in the latest Swedish political parties' manifestos the issue of income inequalities, equal opportunities and a politic for a distributive purpose is highlighted. Moreover, we will show in Chapter 4 that the support for the welfare state continues to be stable and high.
2.4 Conclusions

Our first observation, and conclusion, is that income inequality has increased in Sweden. We have put a lot of effort in describing the different ways of measuring income in Sweden but this conclusion is robust for all these measurements. The size of this increase is substantial. In fact, according to the OECD report “Divided we stand: why inequality keeps rising” (2011) it was between 1985 and the late 2000s the largest among all OECD countries. To that story it should be remembered that income inequality starts of from internationally very low levels in the 1980s. Income statistics over this time period also reveal a strong increase of average incomes. Hence, inflation-adjusted median incomes have increased substantially.

By studying the distribution of income both by income source and by focussing on different parts of the distribution earlier research have in particular highlighted two interrelated aspects. First that top incomes have increased substantially not only in absolute numbers but also in relation to median incomes. Second, that capital income plays an increasingly important role. This income concept is in Sweden more inclusive and normally also includes realised capital gains. Capital income does not only have a much skewed distribution but also has become a larger share of the total income package. This, then, also shows up in the statistics in the sense that if we exclude realised capital gains we find a less marked increase of inequality.

When only focussing on the last decade this general description however needs to be complemented. When for example looking at the percentile ratios we find a clear change related more to the bottom of the income distribution. The so called P10/P50 ratio has in other words decreased substantially. Related to this we find a growing gap in incomes between those with and without a job during the same period. This is, at least partly, a result of the different earned income tax credits implemented in Sweden lately. Moreover, it is also related to reductions in replacement rates in various social protection schemes, a topic we return to in Chapter 5. Our analysis also reveals that the risk of a weak labour market attachment not only grow during recession years of the 1990s but has continued to do so for those with lower educational credentials.

The distribution of wealth is, of course, highly skewed and for a large fraction of the population net wealth is negative or close to zero. The knowledge concerning the trends in the distribution of wealth is more scattered. Comparing the late 1970s to the late 1990s earlier sources has concluded that the wealth inequality has increased. Comparing the late 1990s to 2007 (the latest available year) we find fairly small changes but net wealth has increased both at the median and at the top. With a long term perspective it is also obvious that wealth is more concentrated at older age than was the case three to four decades ago.
Looking at the incomes, and living conditions more broadly, for various subgroups of the population the Swedish welfare commission found ample evidence that in particular three groups were hit by the severe Swedish recession that started in 1991: immigrants, single mothers and young. Our update concerning median incomes between 1991 and 2010 reveals that the conclusion still holds. Immigrants have a less positive income development compared to natives; single mothers (and fathers) have a much bleaker development than couples with children, and young have a less positive development than older age groups.
3 The Social Impacts of Inequality

3.1 Introduction

In this chapter we will look at areas in peoples life’s where possible impacts of the growing inequality might have occurred. For the different indicators we will present figures mainly over time and broken down on socioeconomic position and in some cases by age and gender. In the figures presenting trends over time we have also, when possible, included the GINI-trend.  

It is easy to imagine that it has become more common to live in deprived economic situations with the growing inequalities. We have already discussed this with reference to the distribution of income but will now focus on more direct indicators in the beginning of this chapter. More specifically we will present figures and trends for material deprivation and social assistance take-up.

Social cohesion is an area where a lot of emphasis has been put to try to find out how it is related to income inequalities, not the least by Wilkinson and Picket (2009). One indicator of this wide concept is loneliness and we will present figures for those reporting having no close friend.

Different aspects of family life is the topic for the next part, namely household composition, fertility and birth rates, total first marriage rate and divorce rate and lone parenthood. The figures are presented in light of a discussion about how Sweden is often portrayed as an egalitarian country regarding gender equality.

The relationship between health and income inequality is in focus in the next part. We present time trends for infant mortality and life expectancy for men and women by educational groups. A discussion on morbidity is ended with a figure on the development of psychological distress for different age groups.

In the following part we present a description of the major changes in the area of housing policy that has taken place since the 1990s. Presented are also figures on changes in housing tenure and the exceptional price development that at least partly can be viewed as effects of the policy changes.

In the penultimate part the trends for crime and prison population are presented. Complementing studies are also referred to add to the picture of the meaning of socioeconomic position within this

---

12 To give a view on the bivariate relation between changes of income inequality and the social indicators we have in chapter 3, 4 and 5 included a trend line for the Gini coefficient. Since we only are interested in the trend for the whole period of 1980 and onwards we use the older household definition (see further discussion in Chapter 2 and figure 2.1).
topic. A discussion about reasons for the increased levels of reported crimes is included in order to enable a better understanding of the trends.

In the last part life satisfaction, happiness and well-being are in focus. We present results from different data sources and also refer studies of its relation to income and income inequality. The chapter ends with some concluding remarks.

### 3.2 Material deprivation

Measuring material deprivation can be regarded as an effort to measure absolute poverty. Although pure absolute poverty measures are difficult even to imagine, measures of material deprivation can be regarded as an effort in that direction. The Living Conditions Survey by Statistics Sweden has for several decades provided information of several indicators of material deprivation. In 2006 the Living Conditions Survey was merged with the EU-SILC which meant that many of these time series were interrupted. In this and the following two sections we still make use of these time series to illustrate the longer term development in some social indicators.

The items in these series vary slightly across time and some of them become irrelevant, but “no cash margin” and “economic strain” are available for most years. These questions are posed also in the EU-SILC; for economic crisis the wording is slightly different so that the percentage with experience of economic crisis is reduced and the percentage without cash margin increases.

**Figure 3.1** Proportion with Economic strain and No cash margin. Sweden 1980-2005 (two-year averages) by socio-economic group.
Time series for these two variables 1980-2005 are shown in figure 3.1 stratified by socio-economic group. First of all it is evident that deprivation in these terms is strongly anti-cyclical, with high levels during economic downturns and lower levels during upswings in the economic cycle. The effect of the mid-1990s crisis is particularly salient. Secondly, the development of the economic crisis variable is fairly parallel for the socio-economic groups, whereas the cyclical effect of lack of cash margin is present only for the lower social classes. Thirdly, at least through the turn of the century and least for economic strain the development for the lower classes follows the development of the Gini coefficient fairly well. Still, when comparing start and end points, there is no tendency of increasing disparities between groups.

The EU uses the concept “material deprivation” as one of its EU2020 social indicators (European Commission 2009). According to this definition a person is materially deprived when he/she lacks 3 of 9 items\textsuperscript{13}. Similar definitions have been used in the Swedish Living Conditions Survey as well, although with other items and a different number of items. Table 3.1 shows material deprivation with an earlier Swedish definition 1990/91-2005/06 stratified by socio-economic group and migrant status. Here material deprivation is defined as lack of two out of seven items. Severe material deprivation is defined as lack of three out of seven items.\textsuperscript{14}

\textsuperscript{13} These nine items are: the household could not afford: i) to face unexpected expenses, ii) one week annual holiday away from home, iii) to pay for arrears (mortgage or rent, utility bills or hire purchase instalments), iv) a meal with meat, chicken or fish every second day, v) to keep home adequately warm, or could not afford (even if wanted to): vi) a washing machine, vii) a colour TV, viii) a telephone, ix) a personal car.

\textsuperscript{14} These seven items are: employment, economic resources, health, decent housing, political resources, social relations and safety.
Table 3.1 Material deprivation (2 of 7) and severe material deprivation (3 of 7) by migration status and socioeconomic group 1990/91, 1995/96 and 2005/06. Swedish population 18-75 years of age. Per cent.

<table>
<thead>
<tr>
<th>Migration Status</th>
<th>2 of 7 1990/91</th>
<th>3 of 7 1990/91</th>
<th>2 of 7 1995/96</th>
<th>3 of 7 1995/96</th>
<th>2 of 7 2005/06</th>
<th>3 of 7 2005/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swedish born</td>
<td>17.9</td>
<td>5.0</td>
<td>22.7</td>
<td>7.0</td>
<td>20.8</td>
<td>6.0</td>
</tr>
<tr>
<td>Immigrants</td>
<td>39.0</td>
<td>16.0</td>
<td>47.5</td>
<td>22.0</td>
<td>39.7</td>
<td>16.0</td>
</tr>
<tr>
<td>Socioeconomic group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blue-collar</td>
<td>25.0</td>
<td>8.0</td>
<td>29.4</td>
<td>10.0</td>
<td>26.7</td>
<td>9.0</td>
</tr>
<tr>
<td>White-collar</td>
<td>11.8</td>
<td>2.0</td>
<td>15.5</td>
<td>5.0</td>
<td>12.7</td>
<td>3.0</td>
</tr>
<tr>
<td>Self-employed</td>
<td>11.6</td>
<td>3.0</td>
<td>13.0</td>
<td>3.0</td>
<td>12.2</td>
<td>4.0</td>
</tr>
<tr>
<td>Not in labor force</td>
<td>25.9</td>
<td>8.0</td>
<td>34.8</td>
<td>13.0</td>
<td>32.3</td>
<td>11.0</td>
</tr>
<tr>
<td>Total</td>
<td>20.0</td>
<td>6.0</td>
<td>25.4</td>
<td>9.0</td>
<td>23.2</td>
<td>8.0</td>
</tr>
</tbody>
</table>

1 Students not included. Source: Socialstyrelsen (2010).

As in Figure 3.1 above, the effect of the 1990s crisis is evident. There are also some obvious differences between social groups. Immigrants run approximately twice the risk of that of natives for material deprivation throughout the period. For severe material deprivation the risk is tripled for immigrants. Blue collar workers and those not in the labour force run higher risks than white-collar workers and self-employed. Also in this comparison the surplus risk among the less privileged is higher for severe deprivation. Despite these between-group differences, it is hard to discern any polarization tendencies, i.e. the changes are fairly similar in all groups. However, there is one important exception to this pattern: the recovery between 1995/96 and 2005/06 of those outside the labour force is small, indicating that this particular group has lost ground as compared to those in
employment. This could be a result of reduced net replacement rates in unemployment insurance and minimum income protection (see Chapter 5).

In order to put the levels reported in table 3.1 in context we also report the level of material and severe material deprivation according to the EU-definition in table 3.2 for the years 2004-10, where Sweden is compared to the EU-15 average. Obviously, the EU-definition makes a harder distinction between the non-deprived and the deprived, as indicated by the Swedish levels being well below those presented in the previous table. It is also evident that the Swedish deprivation rate is low in a comparative perspective; about a third of the EU-15 average in both material and severe material deprivation. In fact, in 2010 Sweden has the lowest material deprivation rate of all EU-countries, and is outnumbered only by Luxembourg on severe material deprivation (not shown). Finally, while the EU-15 averages stay stable across the years in the table, the Swedish levels decrease.

Table 3.2 Material deprivation (3 of 9) and severe material deprivation (4 of 9) in Sweden and EU 15 2004-2010. Populations at 16 years of age and older. Per cent.

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material deprivation (3 of 9)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU-15</td>
<td>-</td>
<td>12.4</td>
<td>12.5</td>
<td>12</td>
<td>12.5</td>
<td>12.5</td>
<td>13</td>
</tr>
<tr>
<td>Sweden</td>
<td>6.9</td>
<td>5.7</td>
<td>6.2</td>
<td>5.8</td>
<td>4.6</td>
<td>4.8</td>
<td>3.9</td>
</tr>
<tr>
<td>Severe material deprivation (4 of 9)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU-15</td>
<td>-</td>
<td>5.2</td>
<td>5</td>
<td>4.9</td>
<td>5.2</td>
<td>5</td>
<td>5.2</td>
</tr>
<tr>
<td>Sweden</td>
<td>3</td>
<td>2.3</td>
<td>2.1</td>
<td>2.2</td>
<td>1.4</td>
<td>1.6</td>
<td>1.3</td>
</tr>
</tbody>
</table>

3.3 Cumulative disadvantage and multidimensional measures of poverty and social exclusion

Sweden, alongside the other Nordic countries, has low poverty persistency rates. In 2010 the Swedish rate of 4.9 per cent is the lowest of all EU-countries. Among the EU-SILC countries only Iceland reports a lower rate (3.4 %) (Eurostat 2012).\(^{15}\)

Long term time series of the ‘persistent at-risk-of-poverty rate’ for Sweden do not exist. However, one variable often used in Sweden as an indicator of precarious living conditions is means tested social assistance take-up. In particular long term or extensive take-up can be used as an indicator of prolonged or particularly harsh precariousness (e.g. Bergmark and Bäckman 2004). The right to means tested social assistance in Sweden is regulated in the Social Services Act, which provides relatively general guidelines concerning eligibility standards and somewhat more detailed regulations with respect to compensation levels. Benefits are granted to households. The level is set so as to elevate the household above a minimum standard of living, covering expenses for food, housing, childcare etc. when all other assets are exhausted. No maximum period for eligibility is specified, but recipients must make full-time efforts to find a job (if they are unemployed and employable) in order to become independent of social assistance (Bäckman and Bergmark 2011). In relation to other European countries, Sweden is characterised by comparatively short consecutive periods of social assistance receipt (Gustafsson et al., 2002). Still the proportion of long term recipients is now at a higher level than before the 1990 crisis. Since social assistance is meant to be a last tier benefit, the increase could be interpreted as a result of a withdrawal by the otherwise universalistic welfare state.

Figure 3.2 shows the relative development of the proportion of all social assistance recipients and of those with at least 10 months of receipt during a year. In order to highlight the disparate developments for all recipients and long-term recipients the time series have been indexed by setting the level in 1990 to 100. The actual levels in 1990 were 5.7 per cent for all recipients and 0.7 for long-term receipt and the rates had up until then stayed fairly constant at these levels (Bergmark and Bäckman 2004). Also with these indicators the crisis effect is obvious. However, after the crisis the overall recipient rate is reduced to levels below those before the crisis. For long term recipients the levels are reduced as well, but the rate stabilises at a level well above that before the crisis. This means that although the number of recipients has been reduced the composition of the group has changed so that a larger share now is dependent on social assistance as a more or less permanent source of income. Thus, although it might seem odd to use take-up of a benefit which is there to reduce or even eliminate poverty\textsuperscript{16} as an indicator of deprivation, take-up is in itself an indicator of very poor resource availability and as such the development points to a major challenge of the Swedish welfare state, where preventing the formation of an excluded underclass has of tradition been one of the explicit goals (Baldwin, 1990).

\textsuperscript{16} Still, in Sweden as in other European countries the net replacement rate of the social assistance benefit does not suffice to lift a family above the EU at-risk-of-poverty line at 60 per cent of median equivalised disposable income (Nelson and Kuivalainen, 2011).
3.4 Indicators of social cohesion

Social participation and social cohesion are central themes in research on social inclusion and exclusion as they put emphasis on the relational aspects of the concepts (cf. Atkinson et al. 2002, pp. 175ff). These concepts are further discussed in chapter four.

In the Swedish Living Conditions Survey some questions on contacts with family, friends etc. have been posed. In Figure 3.3 below we have chosen to report the fraction having no close friend. We have stratified by age and the proportion reporting having no close friend has diminished in all four age groups. The age gradient remains unchanged, but since the curve for the youngest age group levels out at the turn of the century and continues to fall for the other age groups the age differences have been slightly reduced across the period.

It would be too speculative to interpret these trends as if social cohesion in Sweden has increased. The concept is wider than that, but undoubtedly the Swedes have become less lonely despite increased levels of inequality as indicated by the Gini coefficient. However, we have not been able to find a concrete explanation to this reduced “rate of loneliness”, but at least for the oldest age group improved health and better material resource availability are strong candidates. Increased use of the internet and urbanisation are others (see also sections in Chapter 4 where we discuss trust).

Figure 3.3 Proportion (%) with no close friend in four age groups. Bi-annual averages. Sweden 1980-2011.

3.5 Family formation and breakdown, lone parenthood, fertility and implications for gender inequalities

Sweden can be viewed as an egalitarian country regarding economic equality but also regarding gender equality (see chapter one) in terms of women’s labour market participation and fathers outtake of parental leave. The Swedish policymaking aimed to increase gender equality is most likely of crucial importance here. The Swedish family policies have gained a lot of international interest both scholarly and among policymakers (Ferrarini and Duvander 2010). Both the labour-market and family policies have an aim towards increased gender equality, which have been found to be closely interlinked. Important parts of the policies are employer’s obligation to enable both men and women to combine work and family life, for example, individual income taxation, earnings-related parental leave system and the Swedish childcare system (Ferrarini and Duvander 2010; Neyer and Andersson 2008; Oláh and Bernhardt 2008). In Maegher and Szebehelys (2012) overview and analysis of the Nordic countries childcare models they associate the Swedish universal model with “educare”. By doing this they argue that the model has a twofold goal, benefits of the children’s education and also benefits for the parents labour market participation. By keeping these two goals both the quality and quantity of childcare is in focus in the Swedish model. Finally the authors conclude that the Swedish together with the Danish childcare system is of importance to understand the gender, class and ethnicity equality within these two countries.

Although Sweden has come relatively far in the work towards gender equality it has still long to go, e.g. women are those using the vast majority of the parental leave, almost 80 per cent (The Swedish Social Insurance Agency 2011). The importance of earner-carer policies are related to several central outcomes in Sweden: an extensive female labour force participation, in particular among women without tertiary education; relatively high fertility rates; high male participation in the care of young children and low child poverty for both two-parent and single-parent households (Ferrarini and Duvander 2010).

3.5.1 Composition of household universe and effects on income equivalisation

In an international comparison Sweden comes out as one of the countries with the most single households, around 20 per cent during 2000 (Eurostat 2012).
There is a difference between social groups in the household composition pattern (see figure 3.4). Blue-collar workers tend to a higher extent live in single households compared to white-collar workers. This relationship does not seem to have changed in any major way during the last 30 years.

The high prevalence of single households in Sweden as compared to other countries make inequality and poverty measures, in Sweden compared to most other countries, more sensitive to the choice of equivalence scales.

### 3.5.2 Fertility and birth rates

The Swedish gender equality has also been associated with higher fertility levels. A positive relationship between gender equality, in terms of father’s use of parental leave (Duvander et al 2010) and women’s participation on the labour market (Hoem 2001), and higher fertility rates have been found.

The fertility rates peaked in the beginning of the 1990s and 2010 (see figure 3.5) and Statistics Sweden published the report “A third child – a new trend?” in 2011 prompted by the latest increase

---

17 ULF/SILC is based on a random sample, of 12000-13000 people, of the Swedish population over 16 years. Between 2006 and 2008 a change of the data collection procedure was made, from face to face interviews to telephone interviews (indicated by a break in the trend lines). During this time the survey was also integrated with the EU Statistics on Income and Living Conditions.
of parents giving birth to a third child. In the report it is concluded that women born in the 1980s are more likely to have a third child than women born in the 1970s (Statistics Sweden 2011).

Figure 3.5 Fertility and birth rates, 1970-2010.

During the period presented in the figure Sweden has showed exceptionally high levels of fertility rates in a European perspective. However, the decrease in fertility levels in 1990s coincides with the economic crisis. This indicates that the traditionally proposed conflict between female labour force participation and birth rates is not valid for Sweden. Instead, quite the opposite is true: “no jobs – no kids” (Hoem 2000).

3.5.3 Marriages, couple formation and dissolutions of households

People get married to a greater extent in Sweden, the fertility rates have been increasing and the risk of divorce has started to decline somewhat (Andersson and Kolk, 2011; Ohlsson-Wijk 2011). This is striking since Sweden has been at the forefront of the declining marriage figures, unmarried cohabitation and extramartial births for a long time. In demography these patterns, seen over large parts of the world, has been called the Second Demographic Transition where Sweden has been seen as a forerunner (Oláh and Bernhardt 2008; Sobotka and Toulemon 2008).

Ohlsson-Wijk (2011) describes an upward trend in first-marriages in Sweden since 1998, after a long downward trend since the 1960s (see figure 3.6). Decreasing unemployment rates and childbearing seem to explain a small part of the upward trend in marriages after 1998. Ohlsson-Wijk (2011) has
also studied factors determining marriages at the individual level. A social gradient is here indicated by a positive association between marriage rates and educational level, labour market activity and income. The divorce rates have increased since the 1970s.

Figure 3.6 Total first marriage rate and total divorce rate, 1970-1980.

Source: Data extractions and calculations made by Ohlsson-Wijk 2011 for TFMR, which in turn is based on Council of Europe 2006 (data 1970-2004) and Eurostat 2010 (data 2005-2008) (see Ohlsson-Wijk 2011 for further details). Data on Total divorce rate from COE.  

3.5.4 Lone parenthood

The likelihood for children being born to parents living together without being married have increased during the last 40 years (Thomson and Eriksson 2010). Figure 3.7 shows that about one quarter of children below 18 lives with parents in cohabitation, in 2005-2010. The share of children being born into a family with a single parent is however fairly stable, around seven per cent (Thomson and Eriksson 2010). During 2005-2010 just above 20 per cent of children below 18 lived with a single parent. Only a small minority, around five per cent, of single parents consists of fathers.

---

18 Total first marriage rate (TFMR) for Swedish women age <50. The peak in 1989 has been explained by legislation changes (for further details see Hoem, J.M. 1991).
3.6 Population health and health inequality

We so turn to indicators of population health and health inequality. We first discuss changes related to mortality and then indicators of morbidity. We both show or discuss overall changes and changes of socio-economic disparities.

3.6.1 Mortality

As in most other countries life expectancy figures continue to rise in Sweden (Figure 3.8). This is definitely not a recent trend but a more or less steady phenomenon for several centuries. During the latest decades we find a compression of life expectancy differentials between women and men, in 2010 the difference was four years. Also infant mortality rates have continued to decrease (Figure 3.9). The latter were already some decades down to a level in which further decreases were regarded as being difficult to achieve but has since 1990 been halved. The main drop in infant mortality is seen during the 1990s due to decline of sudden infant death syndrome (SIDS) when new counselling on sleeping were spread, i.e. that infants should sleep on their backs.

---

19 There is a risk of over estimating the share of single parents, because there is no information of a cohabiting parent if they do not have joint custody.
These rosy developments are somewhat hampered when moving from averages to differences by socio-economic groups. According to most measures socio-economic inequalities in mortality have increased. Once again, this is not a particular finding for Sweden, since there is a general consensus
that relative inequalities in mortality have increased in most Western societies since the 1980s (Shkolnikov et al. 2012; Mackenbach et al. 2008).

Figure 3.10 shows an example of this increasing disparity namely life expectancy at age 30 for women categorised by educational level. As seen the gap between higher and lower educated women has increased substantially over this time period. Whereas it was slightly above two years in the end of the 1980s it is nowadays well above four years. The development among men is similar but the increasing gap somewhat smaller. There are probably several reasons behind this development. An often discussed argument is that the lowest educational category has become a more negatively health-selected group than earlier. A counter argument to that hypothesis is that the opposite would then be likely to be true for the group of highly educated women, i.e. that this latter group over time becomes less positively selected. In other words, even if the changing selection argument would be valid it is far from self-evident how that would influence the life expectancy differentials. Evidently, also more causal explanations are plausible, related both to more structural aspects, such as poverty, and more individual life habits.

Figure 3.10 Remaining life expectancy for Swedish women at age 30 by level of education.

Sources: Compilations from Statistics Sweden 2004 and 2011.

20 The study by Shkolnikov et al. (2012) calculate a number of both relative and absolute differences and find increases also of absolute indices in the Nordic countries.
3.6.2 Morbidity

Mortality can be seen as the ultimate form of ill-health but needs to be complemented by other indicators. Most diseases and health-related problems cause pain and suffering without leading to death. In case of different dimensions of ill-health we, as with most other social indicators, have to rely on different surveys and our findings are therefore more scattered and less certain in comparison with our mortality statistics which are based on data from total populations. We here use information from earlier research from two fairly similar databases that both are representative for the Swedish population, namely Statistics Sweden’s Living Condition Survey and the Level of Living Surveys conducted by the Swedish Institute for Social Research.

The most common general measure of ill-health is self-rated health. Earlier analysis of the Swedish Level of Living Surveys has in particular highlighted that the prevalence less than good self-rated health increased comparing 1991 and 2000. This finding is corroborated by further analyses with other data that also notes a clear increase during the crises years of the early 1990s (see further Fritzell and Lundberg 2000; Fritzell, Lennartsson and Lundberg 2007). Looking at educational differences in self-rated health you clearly see disparities and among women there is indications of a widening gap during the first half of the 2000s (Socialstyrelsen 2009).

The prevalence of mental ill-health (of a relatively light character) has been an increasing concern in most rich countries. Building on an index capturing psychological distress it was found that it became somewhat less prevalent comparing the late 1960s to the early 1980s, being stable during the 1980s but then increasing notably (Fritzell, Lennartsson and Lundberg 2007). Again, looking in more detail at the development of a similar mental ill-health indicator during 1990s revealed that also this indicator showed a more or less direct response to the crises of the first half of 1990s. When it comes to mental ill-health we also find a startling change comparing age groups. The prevalence of mental ill-health has increased dramatically among younger age-groups. Figure 3.11 gives the odds-ratios for psychological distress by three age-groups (adjusting for country of birth, gender and social class) in 1968, 1981 and 2000. As can be seen there is a marked increase among the younger segments of the population but also a clear decrease among the oldest age group covered by the survey.

---

21 The odds-ratios presented in Figure 3.11 are presented as deviations from the overall geometric mean which means that they express in absolute sense if the odds for ill-health have increased or decreased over time for each age group.
Figure 3.11 Psychological distress by age groups in 1968, 1981 and 2000. Odds ratios (OR) standardised by gender, country of birth, social class. Average odds = 1,0.


3.7 Housing tenure

Housing policy has undergone rapid change across Europe, a change that has been particularly dramatic in Sweden where housing previously counted as a core element of the welfare state. Historically, the active housing policy emphasised interest rate subsidies to investment, tenure-neutrality, generous benefits to housing both of general subsidy and income-related benefits for example. However, a shift in housing policy took place in 1990s, reducing and targeting subsidies which had the effect of increased house prices, reduced volumes of new construction and a public housing sector forced to function more on market terms. The earlier salient social element in Swedish housing policy, the unique character of the Swedish rental sector with a well-developed competition between the public and private rental sector through regulations, have been replaced by an adoption to more market terms. Some effects of these major changes are found in a changing pattern of tenure status and increasing house prices (Turner 2002, Bengtsson 2006).

3.7.1 Tenure status

As the structure of the Swedish housing market differs considerably from other EU countries, the figure 3.12 shows tenure status in Sweden compared to EU 27 and EU 15. About 70 per cent of the total housing stock in Sweden is owner-occupied and the remaining 30 per cent is rental dwellings.
However, the owner-sector with mortgage or loans disguises the tenure type of tenant-owned\(^\text{22}\) (\textit{bostadsrätt}), constituting for about 30 per cent of the owner-occupied sector. Tenant-ownership in Sweden can be compared to condominiums; however tenant-ownership implies membership of a housing co-operative association (Karlberg and Victorin 2004, Ruonavaara 2005). Membership rights are obtained through a capital investment and maintained by monthly fees to cover the costs of the association’s loans. The average annual fee per square metre for all newly built dwellings where SEK 639 in 2011 (SCB 2012b). The capital investment is often associated with a mortgage where the buyer today can lend up to about 80 per cent of the purchase price. Tenant-owned housing is generally multi-dwelling buildings; members cannot obtain full ownership rights such as for condominiums. However, members are allowed to sell or transfer their tenant-owned dwelling at any time and at any price they wish. Transfer of an apartment with right of residence may only be made to a member of the association. The transfer of a tenant-owned apartment should be made through payment. However, there are tenant-flats that are sold to a symbolic low value, as well as flats that are extremely expensive. Statistics Sweden does not report transfers of ownership that are due to inheritance, gift or division of property. A broker is usually involved when selling a tenant-owned flat. The brokers have a co-operation in gathering information on various aspects of the apartment to be able to estimate the market value of the apartment.

The remaining 50 per cent of the owner-occupied sector consists of single-family owner occupation. The tenure type tenant-owned has increased the last decades at the expense of rental dwellings. However, the dominating tenure type for multi-dwelling buildings is still rental dwellings. In 2011, of the total number of dwellings in multi-dwelling buildings, 63 per cent are rental dwellings and 37 per cent are tenant-owned dwellings. The highest share of tenant-owned dwellings is in Stockholm and Uppsala, and it is also in Stockholm where the conversion of rental dwellings to tenant-owned has been more salient than elsewhere (72 per cent of total conversions since 2000 has been made in Stockholm) (Statistics Sweden 2012c). The trend of conversion is an indicator of the policy shift towards privatization of the rental sector. The aim of the Swedish rental sector has been to let the profit-making rental sector and the non-profit rental sector to compete at the same terms creating a unified rental sector with universal policy aims (Kemeny 1995). Therefore, a negligible tenure type in Sweden is the tenants renting at reduced price or for free, in other countries perceived as ‘social housing’. However, governments support for housing expenditure has a long tradition in Sweden, today there are three housing allowance systems in Sweden supporting low income households: one

\[^{22}\text{A tenant-owned apartment is bought within a housing association. You own the right to occupy and use the apartment on indefinite time. The apartment can also be inherited or transferred. You pay a monthly fee to the housing association.}\]
for households with children, one for young households and one for pensioners. There was a rapid decrease in expenditures on housing allowances between the period of the mid-1990s and the beginning of 2000s which affected the possibilities for low income households to consume affordable housing at a decent standard (Åhren 2007).

Figure 3.12 Tenure status in Sweden compared to EU 27 and EU 15 2010.

Over the last few decades, the Swedish housing policy has undergone rapid changes (Lindbom 2001, Turner and Whitehead 2002). The Swedish welfare state expansion after the Second World War entitled a powerful state role in most aspects of the housing market. Housing has traditionally been a core element of the welfare state with an extensive support system of large subsidies for new construction. But, during the 1990s, the subsidies where slashed and housing policy found a marginal position. From figure 3.13, the development of tenant-owned, rentals and home-owning are shown for the years of 1975-2007. The share of the households (16-74 years of the population) living in the owner-occupied sector fluctuates around the rather stable 50 per cent level, between 1975 and 2007 there is only a slight increase. Notable is a decline in the share of households living in rented apartments from a rather high about 40 per cent to nearly 30 per cent level today. The exact change between 1975 and 2002 is a decline by 7,8 per cent. There is an increase in the share of population living in tenant-owned dwellings over the years; the change between 1975 and 2007 is an increase by 4,4 per cent.
Empirical studies by van der Heijden (2002) and by EU project SOCOHO (Czasny 2004) reveal that Sweden ranks fairly low in terms of overrepresentation of low income households in the rental sector. However, Magnusson and Turner (2008) concludes that vulnerable families are to a large extent accommodated in the rental sector and the relative size of the rental sector will determine how integrated these vulnerable families will be.

3.7.2 House prices

Figure 3.14 shows the development of prices for one- or two-dwelling buildings and the development of consumer prices have been included in the graph to further illustrate the development of prices. The price level is expressed as an index, with base year 1981=100. The late 1980s was a period with very rapid price increases. The downturn of the economy in the early 1990s ended this and the price level decreased for three years. During the latter half of the 1990s, price increases have again been considerable. For the whole period, consumer prices have increased at a much slower pace than real estate prices (Statistics Sweden 2012a).

House prices develop in cycles, in Sweden, the peaks were in 1979, 1989-1991, and decline in 1991-1993. Agnello and Schuknect (2009) have identified cycles across 18 developed countries and state that the current price boom in Sweden that began in 1997 is the longest constant increase in house prices compared to other countries. The general trend in house prices can be further differentiated if considering the aspect of location. Sweden consists of 290 municipalities and 21 regions with
different prerequisites according to density of population and economic activity for example, aspects which influence the supply and demand for housing. The long increase in Swedish house prices have suggested to be dependent upon two factors, firstly there has been a general reduction of interest rates and a reduction of the Swedish taxation of the returns to owner-occupied housing. At the same time, the value of owner-occupied housing has increased due to lack of new construction of rental apartments (Riksbanken 2011).

Figure 3.14 House prices for one or two dwelling buildings and consumer price 1981-2011. Source: Statistics Sweden. GDP per capita 1981-2011.

Source: OECD.

3.7.3 Expenditure mortgage/debt

Housing and costs related to housing typically make up for the largest item in the household budget. The average household expenditure on housing is dependent upon tenure type. For renters, about 30 per cent of the disposable household income is devoted to housing. The expenditure on housing is

---

23 Figure 3.7.3 does not include the tenure type tenant-owned described above. Statistics Sweden provides information on the purchase prices of tenant-owned flats for 2010 in Sweden. The average purchase price of tenant-owned flats was 1312 (in 1000 SEK) and the median purchase price was 995 (in 1000 SEK). However, there are quite large regional variations as the metropolitan area of Stockholm shows an average purchase price of 2170 (in 1000 SEK) as compared to regions outside the metropolitan areas where the average price was 602 (in 1000 SEK).
lower for tenant-owners and household living in the owner-occupied sector. Figure 3.15 shows the average expenditure on housing according to tenure type between 2004 and 2010. It is seen that the user cost for housing has decreased during this time period for tenant-owners and home-owners.

**Figure 3.15 Average housing expenditure in per cent of disposable household income according to tenure status 2004-2010.**

On average, Swedes dedicate about 27 per cent of their disposable income to housing, as compared to the EU-27 average of 22 per cent. As the pattern of a large share of the population living in the co-operative sector or home-ownership with mortgage and a recent financial crisis, which started in the housing market, the concerns for the household’s debts have again been raised. The Swedish Financial Supervisory Authority introduced a mortgage ceiling in October 2010, indicating that an overheated housing market was near.

However, compared to EU27 and EU15, the economic vulnerable households in Sweden are to a large extent accommodated within the rental sector. Figure 3.16 shows the considerably larger share of tenants within the rental sector who are living in households where the total housing costs (‘net of allowances’) represent more than 40 per cent of disposable income (‘net of allowances’). The tenants categorized as renting at reduced price or for free is, as stated above, a negligible tenure type in Sweden. In such cases, housing is provided by the local social services and the source of income is usually from benefits. The rental sector where tenants are renting at market price, a sector where both public and private rental companies is represented, a lower level of economic vulnerable households in Sweden compared to EU27 and EU15 is found. In EU27 and EU15, the economic...
vulnerable households are to a larger extent dependent upon a private rental sector. As Magnusson and Turner (2008) highlights, this indicates that the large rental sector in Sweden is social by default.

Figure 3.16 Housing cost overburden rate in Sweden compared to EU 27 and EU 15.

Source: Eurostat.

The development of the households’ debts is debated. At the same time as the liability is growing, the wealth of households continues to grow. The growth of the household wealth from 1970 up until today can be said to show two trends: household’s savings are to a larger extent dependent on financial assets to the expense of real estate assets. The other trend is that financial assets have increased from about 40 per cent of the total wealth to about 60 per cent in the mid-2000s (SCB 2010).

During the recent crisis, the debts with housing as security increased, but in spite of this, the debts in relation to total assets of the household have been relatively stable during the last years at around 25 per cent. The debts of the households consist to 75 per cent of loans where housing is the security. A development over time can be seen in figure 3.17 below.
Larger shares of households’ debts are related to housing. Total debt have been rising since the 1970s from about 28 per cent to around 48 per cent in 2010, debts with housing as security has followed the same trend, but with a slightly steeper increase during the same years. This indicates a trend where the larger share total debt consists of housing mortgage debt, which can be seen clearly with the decreasing gap between the two curves.

### 3.8 Crime and punishment

In a longer perspective, the number of recorded crimes has increased in Sweden steadily after World War II. However, a decline from 1990s in property offences and homicide has taken place in Sweden as well as in many other Western countries (Aebi and Linde 2010). Crime trends are a much-debated issue, it is well-known that factors other than “real increases” in crimes can explain the trend in the number of recorded crimes, such as legislative changes as in the legislation of rape (von Hofer 2000). Also greater efforts to increase the propensity to report crimes and a decreasing tolerance to crimes among the public opinions are factors that need to be taken into consideration when interpreting crime trends. This means that by just presenting the number of recorded crimes at the national level does not give a complete picture of the crime trends. When trying to complete the picture on crime-trends one can also look at survey data and control for factors on the individual or group level, which can be done in studies on victimization.
This is of importance because behind changes at the national level opposite directions in trends can be concealed at the group level. Earlier studies have for example shown that vulnerable groups can be increasingly victimized although the trend at the national level goes down (Nilsson and Estrada 2006). Nilsson and Estrada (2006) studied trends in victimization in relation to income inequality and living conditions in Sweden using a longitudinal dataset, measured six times between 1984 and 2001. During the period they could see that people defined as having low levels of resources, compared to those with high levels, had a significantly higher and increasing risk of being exposed to threats, violence and some theft offences. They could also see that the difference between the groups had increased during the period and that the relationship was evident for both men and women.

3.8.1 Prison Population

Since World War II, Sweden’s average incarceration rate per 100 000 inhabitants has ranged from low 35 in 1950 to a peak of 79 in 2006. Figure 3.18 shows the trends in the total annual volume of convicted offenders admitted to prison, the annual average number of prisoners and one-day snapshot measurements of the prison population. The relatively large decline from 1997 is partly due to a decline in court convictions but also due to the introduction of home detention curfew as an alternative to prison in 1997. In absolute numbers, about 30 per cent of the nearly 5400 individuals sentenced to prison on 1st October 2010 had been convicted for drug or smuggling crimes, another 35 per cent for robbery and violent crimes and 8 per cent for sex offences (Estrada et al 2012).

Figure 3.18 Prison admissions, Prison population on 1st October and average prison population 1995-2010 (per 100 000 of population).
3.8.2 Recorded Crimes, totals and breakdown by type

The Swedish development of total reported crimes and total reported theft robbery and fencing crimes is seen in figure 3.19. It shows increasing numbers since 1975, when official statistics started to be collected. The upward trend slowed down in the mid-1980s and declined more sharply from the mid-1990s and onwards. Generally, the Swedish crime trends for reported crimes appear to be similar to those of other Nordic and West European countries (Aebi and Linde 2010, von Hofer 2011).

Figure 3.19 Development in total reported crimes and total reported theft, robbery and fencing 1975-2011 per 100 000 inhabitants.

In the following two figures, 3.20 and 3.21, different types of reported crimes are distinguished and some variations in the trends can be found. In figure 3.20 the development for five crime types is shown. The total annual volumes of violent offences reported to the police have increased over the past 30 years. This increase is however linked to heightened public sensitivity towards violence in general and youth violence in particular, which has led to more violence being reported to the police (Estrada 2001). The increasing trend in sex offences since 1970s can in part be explained by changed
definition of rape\textsuperscript{24}, illustrating the problem with assessing crime levels only looking at official statistics (von Hofer 2000).

Figure 3.20 Development of reported crimes for five crime types 1975-2011 per 100 000 inhabitants.

![Graph showing the development of reported crimes for five crime types 1975-2011 per 100 000 inhabitants.](image)


The reality behind the trend in figure 3.21 is not easy to capture. On the one hand it looks like an increase in lethal violence (the left y-axis), on the other hand, if one takes the increase of the population into account (the right y-axis) the level is stable. However in a report from The Swedish National Council for Crime Prevention (Brottsförebyggande rådet - Brå) a more careful comparison is made between 1990-1996 and 2002-2008 and shows that the figures has actually decreased by 25 per cent between the two time periods (Brå 2011). In the same report it is also evident that the number of attempted homicides is stable during the same time of investigation. The picture provided by police-recorded crime statistics can be supplemented by alternative indicators. The trend described below can be associated with a corresponding increase in hospital admissions resulting from serious violence. The number of admissions with knife or gunshot wounds has neither increased

\textsuperscript{24} In Sweden, the definition of rape has been successively widened over the years. Rape within marriage was criminalised in 1965, in 1984; the rape concept was made gender neutral. The range of acts which constitute rape has also been successively widened. In 1998, the rape definition included acts similar to intercourse, the mere threat of violence and the removal of the requirement of an attempt to resist on the part of the victim (von Hofer 2000).
nor decreased over the recent years. This suggests that the decline in lethal violence is the result of improvements in how injuries are treated in hospital (Estrada 2006).

Figure 3.21 Development of lethal violence 1975-2011, number of reported crimes and number of reported lethal violence per 100 000 inhabitants.\(^{25}\)


3.9 Subjective measures of well-being, satisfaction, “happiness”

Studies on subjective well-being, happiness and life satisfaction find that Swedes scores relatively high. In the most recent survey in 2006 from the World Value Surveys (WVS) in Sweden, almost every other or (43 per cent) in Sweden, answered that they were “very happy” and in the European Social Survey (ESS) in 2010, about a third (36 per cent) answered values between 9 and 10 on a scale up to 10 when asked to rate their happiness. If we include those reporting happiness above average, well above 9 out of 10 Swedes consider themselves as happy. If we instead look at life satisfaction, the SOM Institute has measured life satisfaction by asking how satisfied the respondent is as a whole.\(^{26}\) Again, as figure 3.22 below illustrate, about a third of the population reports to be very satisfied, and if we include the fairly satisfied nine out of ten Swedes are satisfied.

---

\(^{25}\) The lethal violence is overstated in the statistics on reported crimes. Many of the events reported such as lethal violence appears after investigation relate to events that is not considered as crimes, such as suicide, accidents or natural deaths.

\(^{26}\) The SOM institute at the University of Gothenburg have since 1986 managed a national questionnaire to about 2800-6000 randomly picked respondents in the age span of 15-85, on the topics Society, Opinion and Media.
These two measures, happiness and life satisfaction are of course highly associated. If we turn to the concept of well-being, a wide variety of indicators of well-being can be found such as social, economic, material and other personal living conditions. In the SOM Survey of 2009, people were asked to rank 21 domains of well-being where having a good health was seen as crucial for own well-being (Brülde and Nilsson 2010) (see chapter 3.6 for further indicators on self-reported health indicators).

Beyond the general picture, there are differences in happiness, satisfaction and well-being between social groups. From Figure 3.23 with data from WVS, one can notice that people with higher educational attainment report higher degree of happiness compared to the lower educated part of the population in Sweden, this is a result that is consistent with cross sectional analyses of SOM-data in Sweden for year 2010 (Fors and Brülde 2011). However, in a comparative perspective, Sweden stands out as a country having small educational gaps in life satisfaction between people with and without tertiary education (OECD 2011). As information on happiness and educational attainment only is available for 1996 and 1999 from WVS no analysis of the development over time can be made.

Figure 3.22 Satisfaction with life, 1996-2011.

Source: Holmberg et al. 2011.
In a cross-sectional perspective, demographic correlates of life satisfaction show that women usually have higher average satisfaction than men (OECD 2011, Kendler et al 2004). However, analyses on Swedish SOM-data for year of 2010, no differences between men and women in life satisfaction and well-being could be found (Fors and Brülde 2011). Further analysis of Swedish SOM-data reveals that the elderly are more satisfied than younger age groups, to be married or cohabiting has a positive correlated with life satisfaction and well-being. To be unemployed on the other hand, is negatively correlated with measures of subjective well-being and life satisfaction. A widely researched area in aspects of happiness and well-being is the relationship with income. Most studies find a positive effect of income on general life satisfaction, and this is also true for Swedish data. The consistent pattern of a positive effect of income is a widely researched and debated area. Life satisfaction is higher in richer (OECD-)countries, however, the relationship is not linear indicating that growth in income adds less to life satisfaction as countries becomes richer (OECD 2009).

Two of the most influential theories explaining the mechanism on how income inequality may affect individual satisfaction are the Hirschman/Rothschild mechanism where income inequality signals future possibilities to mobility which in turn increases present satisfaction (Hirschman and Rothschild 1973). Another mechanism is the Runciman/Yitzhaki mechanism where a rise in inequality rather

---

27 Information on educational attainment is not shown for 2006 because of insufficient comparability with previous years.
leads to increase in relative deprivation which in turn affects life satisfaction negatively (Runciman 1966, Yitzhaki 1979).

3.10 Intergenerational mobility

The issue of intergenerational mobility is typically studied by comparing an indicator of socioeconomic position in childhood with that in adulthood. We thereby move from inequalities in terms of outcome to inequalities of opportunities or life chances. This line of research has been at the core of sociological stratification research and is typically studied with social class, based on occupation as the indicator. More recently, the same basic phenomena has been studied by economists, typically with earnings or income as the indicator.

A comparative resume of the results from both these strands of research suggests the following (see e.g. Björklund and Jäntti 2009; 2011; Breen 2004; 2010; Breen and Jonsson 2005; Erikson and Goldthorpe 1992). Sweden, along with the other Nordic countries, tends to be among the cluster of countries with high intergenerational mobility. 28 This seems to be more evident when studying income mobility, although the conclusion holds also for class mobility. In other words, the differences between countries, at least with regard to ranking seem to be fairly similar, using income and social class (Breen, 2010). Having said that, it should also be stressed that the association (or degree of immobility) between income of origin and destination exists and are quite strong also in Sweden. As shown by Modin and Fritzell (2009) this association also have repercussions over more than two generations. A recent article by Björklund et al. (2012) also highlights that the intergenerational transmission of income is extremely strong at the top (studying fathers and sons). Among those with the 0,1 per cent highest income they find an elasticity (a measure of the immobility) is as high as 0,9 whereas the overall elasticity in their analysis is 0,26. So while it is true that Sweden according to most research score high as a relatively open society life chances is still partly determined by your family background and the chances of reaching the highest fraction is extremely meagre.

3.11 Conclusions

In international comparisons Sweden often scores high when assessing the equality between citizens within the social sphere. However as earlier studies have shown and as we also have presented in

---

28 The possibility of doing intergenerational mobility studies in Sweden is greatly enhanced by the possibility to link generations via register. This also means that it is possible to study these associations with great of robustness in results, due to the possibility to basically include the total population.
this chapter there are considerable differences in Swedish citizens living conditions according to socioeconomic position. These are especially evident in areas such as material deprivation, health and victimization. This chapter does not reveal any unambiguous trends in the presented “social impacts” that we can associate with the increased income inequality, when just comparing the impact trends and the development of income inequality on a macro level. Looking over time, developments within several areas seem instead primarily to be related with the economic crisis in the 1990’s and policy changes. This does however not mean that there are no important social impacts of the growing inequality in Sweden. Other patterns could emerge when making more sophisticated analysis, on subgroups for example and adjusting for other indicators like economic growth. A major consideration is also a potential lagged effect that is difficult to estimate.
4 Political and Cultural Impacts

4.1 Introduction

In this fourth chapter we will look closer into Swedes attitudes, political values and participation in civil society and the democratic processes. We do so within the framework of the trends of income inequalities that was presented in Chapter 2. There is a well-established theory of a society’s level of inequality and its negative relation to social cohesion and indications of social capital (e.g. Wilkinson and Picket 2009). Social capital is a widely discussed and possibly a bit diffuse concept for capturing social dimensions such as networks, trust and resources (e.g. Castiglione et al. 2008; Rostila 2008). Social capital is often simply measured by interpersonal trust, which is one of several aspects that will be further discussed in this chapter.

The relation between civil participation and economic inequalities is complex and the empirical support for a causal relationship is not clear. Any causal relation is most likely not one-way, the policies that have either a favourable or an unfavourable effect on inequalities might also be influenced by people’s attitudes and engagement. By following the time trends of attitudes and participation and at the same time the income inequality trend during, as here, at most four decades, it is possible to see how well these trends follow each other, though it is not possible to make causal inferences.

In some cases we have added a socioeconomic indicator, primarily educational level, to visualise any social gradient within the trends. We have also tried to highlight important factors and events within the Swedish context that may be crucial for the understanding of the levels and their changes over time.

We start by looking at how the Swedish population’s participation in the civil society and political processes has evolved from the 1970s and onwards. Thereafter in three sections we will present the trends in institutional and interpersonal trust, political values and attitudes towards different social dimensions such as inequality and redistribution.

---

29 To give a view on the bivariate relation between changes of income inequality and the social indicators we have in chapter 3, 4 and 5 included a trend line for the Gini coefficient. Since we only are interested in the trend for the whole period of 1980 and onwards we use the older household definition (see further discussion in Chapter 2 and figure 2.1).
4.2 Political and civic participation

Sweden is regarded as having a high share of engaged citizens in civic and political organizations from an international perspective. In a report from Statistics Sweden several benefits of having a high proportion of the population engaged on the civic and political sphere are highlighted such as; providing a source of social contacts and collective support, social capital and trust and also that it cultivates democratic values and practices (Statistics Sweden 2003).

4.2.1 Electorate turn out

In this first section we start by presenting voter turnout statistics from 1973 to the last election in 2010. In figure 4.1 we present the figures for all of the three domestic levels of government existing in Sweden; national (the parliament), regional (21 county councils) and local level (290 municipalities).

Figure 4.1 Voter turnout on all three domestic levels of government, 1973-2010.

Source: Statistics Sweden’s Electoral Participation Survey

Electoral Participation Survey is a dataset based on information both from surveys and registers. The representative sample consists of those individuals that voted and is also included in the Labour Force Survey, in total around 37000 respondents. Statistics Sweden has carried out studies of the electorate participants in general elections (since 1909), elections to the European Parliaments (since 1995) and national referendums (in 1980, 1994 and 2003).
The time series show that around 90 per cent of the eligible population voted in the general elections in the beginning of the 1970s until the end of the 1980s when the percentage started to go down, however it is still internationally on high levels. The lowest figures are shown in 2002, when only about 80 per cent voted. The same trends, but consistently at a slightly lower level, are shown at the local level; to the county and city councils. In the two latest elections the figures have risen but are still below the figures in the 1970s and 1980s.

In the national elections from 1988 to 2010 information from surveys about educational level for the voters is available (see figure 4.2). Here we find a social gradient, where the group with higher education to a higher extent votes than those with a lower education. Until 1994 the difference between those with compulsory education and those with tertiary education was just below 10 percentage points and after that up to 2010 it was just above 15 percentage points. The social gradient in voter turnout at the national level has in other words become more evident.

Figure 4.2 Voter turnout in Parliamentary Elections, by level of education, 1988-2010.

![Graph showing voter turnout in parliamentary elections by level of education, 1988-2010.](image)

Source: Statistics Sweden’s Electoral Participation Survey

When it comes to electorate turnout in the elections to the European Parliament the level and also the trend looks different. In the EP elections the voter turnout has been considerably lower than in the national elections and also compared with the EU mean (see figure 4.3).

---

31 The information about educational level comes from Statistics Sweden’s Swedish Register of Education, which contains information about highest attained education for persons 16-74 years old.
In the first Swedish election to the European Parliament, held in 1995, only about 42 per cent of the population entitled to vote did so, compared to the EU mean of about 57 per cent in 1994. This might partly be explained by the Swedish populations relatively fragmented and sceptic attitude towards the European Union and that the EP election sometimes is considered to be “a second-rate national election” (p.7 in Oscarsson and Holmberg 2011) and the national parties interest in mobilizing voters is low. However in the latest election in 2009 the voter turnout increased by almost 8 percentage points, which is in the opposite direction to the falling trend for the mean of European countries. It was primarily the younger voters that increased their turnout.

When it comes to educational differences the gap between those with compulsory education and those with tertiary education has never been as high as in the latest election (See figure 4.4). It thus appears as if the social gradient also in this case has become more evident.


Source: Statistics Sweden’s Electoral Participation Survey.
4.2.2 Unionization

The large majority of the Swedish workforce are unionized, about 70 per cent in 2011 (see figure 4.5) which is a high degree in an international perspective (see Van Rie et al. 2011; Korpi 1983). In Sweden and in the other Nordic countries the voluntary unemployment insurance is primarily organized by the unions, this has been known as the Ghent system and is seen as an important factor for the internationally high union density, historically and presently (e.g. Van Rie et al. 2011).

Figure 4.5 Union density for all employees, 1980-2011.

![Figure 4.5](image)


In the beginning of 2007 the fee for membership in the unemployment insurance fund considerably increased as a consequence of a political reform. For some groups the fee was increased by as much as six hundred per cent at one point. Since the fees for membership in the unions and in the unemployment insurance are linked it resulted in a loss of members, in total about six percentage points for the unions during 2007 and 2008. A similar reduction of the union membership rate has not been seen in Sweden since the deep recession in the early 1900s. Before that the highest density of memberships in the unions was reached in 1986, whereupon a steadily slow decrease had been evident (annually about 0-1 %) (Kjellberg 2009).

---

32 Data between 1980-1986 excludes seniors, students and self-employed; 1986-2001 uses another calculation of the degree of organization than for previous years; 1999-2011 includes only employees 16-64 years of age and excludes fulltime students. For further information see Kjellberg (2010).
Until 2004 blue collar workers have had a higher degree of unionization than white-collar workers (see figure 4.6). However after 2004 the relationship changed and lately white-collar workers have had an increasingly higher degree of membership density. In 2011 about 73 per cent of white-collar workers were unionized compared to about 68 per cent of blue-collar workers (Kjellberg 2010). This tendency was also shown in the respective union organizations dropouts around 2007, in which the Swedish Trade Union Confederation (LO 2012), the largest organizer of blue collar-workers, had the largest dropout rates (Kjellberg 2009). This change in the relation of unionization between blue-collar and white-collar workers suggests that there is now a reverse relation between unionization and social class.

Despite the high degree of unionization it is somewhat surprising, that in a ranking of trust for 21 Swedish institutions, in 2010, the unions came out as the institution holding the least trust from the public (see figure 4.9). The low trust for the unions has been persistent during the whole time of measurement (1986-2010) and is evenly distributed over the educational levels (Holmberg and Weibull 2011).

---

33 Includes workforce 16-64 and excludes fulltime students that works part-time. The first three data points use an older kind of county-weighting. For further information see Kjellberg (2010).
4.2.3 Civic Participation

Another dimension of civic participation is participation on the political arena, here indicated by membership in a political party (or youth-/women’s association), activity in a political party and attending a political meeting or gathering. In figure 4.7 a sharp decline is visual from the beginning of the 1980s until more recent years, when it has levelled out.

Figure 4.7 Political participation, 1980-2010.

A simple explanation for the falling trend could be a lower political interest, however indicators such as the share that respond that they take part in political discussions does not give this hypothesis any support and rather displays an increased interest.

A social gradient, measured by educational level, is seen in all of the dimensions, where the ones with the highest education also show the highest levels of participation (see figure 4.8).

---

34 ULF/SILC is based on a random sample, of 12000-13000 people, of the Swedish population over 16 years. Between 2006 and 2008 a change of the data collection procedure was made, from face to face interviews to telephone interviews (indicated by a break in the trend lines). During this time the survey was also integrated with the EU Statistics on Income and Living Conditions.

“Member of Political Party” is based on the question: “Are you a member of any political party (including youth or women’s association)?”; “Political participation” is based on the question: If you are a member of a political party “Do you take part actively in the party (Youth / Women’s Association) activities?”; “Meeting with political party” is based on the question: Have you ever been to a meeting or gathering with a political party (Youth / Women’s Association) during the last twelve months?”
4.3 Trust in others and in institutions

We now turn to information on trust for different institutions and interpersonal trust, what is also known as horizontal and vertical trust. This is especially interesting to look at in the Nordic countries because of its high levels compared to all other countries where data are available and comparable (Wilkinson and Picket 2009; Castiglione et al. 2008).

Explanations of these high levels of trust have been made in terms of equality (Wilkinson and Picket 2009; Rothstein and Uslaner 2005) and also by the universalism (Kumlin and Rothstein 2005) that is a fundamental feature of the Nordic welfare systems. Kumlin and Rothstein (2005) argues that a selective (needs testing/targeted) welfare system will give rise to suspicions between people. The selective system unlike the universal one is, to a greater extent, alleged of assessing individual cases incorrectly and unequally. In turn the idea is that these accusations and doubt for the institutions will affect people’s interpersonal trust. Simultaneously universal welfare systems will promote an experience of institutions as being fair, followed by a higher interpersonal trust. However some have argued that the causal relationship is reversed, i.e. in those countries where a large universal welfare system exist, the high levels of trust can be found before the welfare states were built up. This would imply that it is rather the high levels of trust creating these large welfare state systems (Bergh and Bjørnskov 2011).
4.3.1 Institutional trust

Below levels and trends of trust for the parliament, government, the legal system and for other people are presented. We will however first shortly show a comparison of the levels of trust for different institutions to put the thereafter following sections into context. A comparison between the trust for 21 different institutions, in 2010, shows that the unions is the institution holding the least trust among the population, right after the European parliament and the European commission (see figure 4.9). The legal (police and courts) system on the other hand is found among the top six institutions holding the highest trust. When it comes to political institutions the parliament and the government holds more trust than the political parties and the municipal executive boards.

Figure 4.9 Ranking of Institutional Trust, 2010.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Opinion Balance, expressed in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>-30</td>
<td>-20</td>
</tr>
<tr>
<td>Health Care</td>
<td>-10</td>
</tr>
<tr>
<td>The Police</td>
<td>0</td>
</tr>
<tr>
<td>The Swedish Central Bank</td>
<td>10</td>
</tr>
<tr>
<td>Universities / colleges</td>
<td>20</td>
</tr>
<tr>
<td>Radio / TV</td>
<td>30</td>
</tr>
<tr>
<td>The Courts</td>
<td>40</td>
</tr>
<tr>
<td>The Government</td>
<td>50</td>
</tr>
<tr>
<td>Primary School</td>
<td>60</td>
</tr>
<tr>
<td>The Parliament</td>
<td>70</td>
</tr>
<tr>
<td>UN</td>
<td></td>
</tr>
<tr>
<td>Royal Family</td>
<td></td>
</tr>
<tr>
<td>Banks</td>
<td></td>
</tr>
<tr>
<td>Big Companies</td>
<td></td>
</tr>
<tr>
<td>Local Boards</td>
<td></td>
</tr>
<tr>
<td>Swedish Church</td>
<td></td>
</tr>
<tr>
<td>The Political parties</td>
<td></td>
</tr>
<tr>
<td>The Daily Press</td>
<td></td>
</tr>
<tr>
<td>The Defense</td>
<td></td>
</tr>
<tr>
<td>EU Commission</td>
<td></td>
</tr>
<tr>
<td>The European Parliament</td>
<td></td>
</tr>
<tr>
<td>The Unions</td>
<td></td>
</tr>
</tbody>
</table>

Source: National SOM 2010.35

35The SOM institute at the University of Gothenburg have since 1986 managed a national questionnaire to about 2800-6000 randomly picked respondents in the age span of 15-85, on the topics Society, Opinion and Media. Figure 4.9-4.12 are based on the question; “How much confidence do you have in the way the following institutions/groups do their job?” The figures indicate an “Opinion balance”, i.e. the percentage of respondents answering very or fairly much confidence minus the percentage of respondents answering fairly or very little confidence in the institution.
When including educational level in the figure it is also easy to see that the highest educated group, in most cases, shows the highest levels of trust (see figure 4.10), the only exceptions are for the banks, the unions, Radio/TV and the Royal family. Apparently there seems to be a social gradient in the levels of trust.

Figure 4.10 Institutional Trust, by level of education, 2010. Percentage reporting confidence in respective institution.

When it comes to evaluating the trend during the time of measurements some things need to be taken into account to be able to make a fair judgment. Major national incidents can make the levels of institutional trust increase during that specific year (Holmberg and Weibull 2011). 1986 when the measurements started at the SOM institute was a year very much influenced by the murder of the

Page 74
Swedish Prime Minister Olof Palme. Therefore a straight forward comparison between that year and the following may be misleading. To circumvent this problem Holmberg and Weibull (2011) divides 1986-2011 into groups of five years and compare the means of those groups. They conclude that there is a decreasing trend in general institutional trust in Sweden.

In figure 4.11 we show the level of trust for the political institutions and the legal system. We can note a decline during the first years after starting off at high levels and see no unambiguous trend after that. During the last couple of years the trend is however pointing in a more positive direction for all four institutions. A general conclusion by Norén Bretzer (2011) is that those holding the least trust for the legal system are those with the lowest education, unemployed and sympathizes with marginal parties.

Figure 4.11 Institutional Trust, 1986, 1988-2010.

In figure 4.12 we show trends for the trust in the national parliament by educational groups. There is an increased level of trust in recent years within all educational groups, with greatest increment for the tertiary educated.
4.3.2 Interpersonal trust

In Sweden interpersonal trust has been exceptionally high ever since the first measurements in the beginning of the 1980s. This can be viewed as a contrast to the theories stating that with increasing heterogeneity within a society a decrease of interpersonal trust will occur, since an increasing ethnic heterogeneity within the Swedish population have been evident during this time (Rothstein 2011). The interpersonal trust is thus high and in this data from the World Value Survey it even seems to increase (see figure 4.13) (In data from National SOM the trend is however almost totally stable during 1996 to 2010, when data is available).

---

36 The surveys organized by the World Value Survey include a sample for Sweden of just below 1000 respondents. The results are based on the question; Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people? The alternatives were: Most people can...
Also regarding interpersonal trust there is a clear pattern indicating that a higher level of education is related to a higher level of trust.

### 4.4 Political values and legitimacy

To give an introduction to the political values and landscape of Sweden it is difficult to not mention the Social Democratic party that has had a dominating position in the political arena during the last century. In an international perspective this dominance has, compared to other developed democracies, been relatively unique in terms of political power; number of votes, government leadership and majority rule (Therborn 1992). The Swedish multiparty system is highly influenced by a division between the right and left wing parties. To illustrate the political landscape, figure 4.14 shows the political parties that have formed the government during the last 40 years.

**Figure 4.14 Political colours in Swedish governments, 1969-2012.**

![Political colours in Swedish governments, 1969-2012.](image)


#### 4.4.1 Extreme right and left parties

In this section we will only focus on established parties in the sense that they have been represented in the Swedish parliament since the 1970s. The Left party of Sweden (earlier named the Communist Party of Sweden and later the Left Party – Communist) can be viewed as a radical left party (March and Mudde 2005). Today they label themselves as a socialist and feminist political party.
(Vänsterpartiet 2012). The support for the party has been relatively stable since the 1970s, measured by results in the election to the Swedish parliament the party has gained around 5 per cent of the votes, with a peak around the new millennium when they in the election of 1998 gained 12 per cent of the votes (Statistics Sweden 2012).

In 2010 the Swedish Democrats (SD) climbed above the threshold of 4 per cent (with 5.7 per cent of the votes) which is necessary to enter the parliament for the first time (Statistics Sweden 2012). Carter (2005) describes the party as being radically xenophobic, culturists and wanting to make major reforms of the existing systems and striving for less interference from the state and more democracy, in her book about the right extremist parties in Western Europe. SD labels themselves as nationalistic and value conservative (Sverigedemokraterna 2012). SD was formed at the end of the 1980s and has had a steady increase of support since then. In 1998 they were represented in only 5 municipalities, 29 municipalities in 2002, 140 municipalities in 2006 and after 2010 they were represented in 245 municipalities out of 290. SD is one of two “anti-immigrant parties” that have had success in the Swedish national elections. The other one; New Democracy (Ny Demokrati (ND)) was not evidently defined as extreme right but was clearly based on anti-tax, anti-establishment and anti-immigrant sentiments (Fennema 1997). The party was only represented in the parliament for one period from 1991 to 1994. ND was formed just before the election in 1991 and disappeared right after they lost their seats in the parliament in the election in 1994. However before that several other extreme right parties have been represented and still are represented at the local level, primarily in southern Sweden (Dahlström and Esaiasson 2011).

In one study by Dahlström and Esaiasson (2011) the authors conclude that the absence of right extremists in the Swedish parliament before 2010 is not a cause of a lacking demand for an “anti-immigrant party” or anti-immigration policies within the population (see further discussion in 4.4.4), instead it is a result of the established parties dismissive strategy towards anti-immigrant issues. Between 1970 and 2006 immigration issues has intentionally received little attention in the Swedish political campaigns, in general.

Turning to the question if there is a social gradient in the support for right extremist parties, Rydgren and Ruth (2011) have studied this by looking at the relationship between the proportion of votes for SD, in the election in 2010 and the socioeconomic composition in the neighbourhood. They find a negative correlation between socioeconomic factors in neighbourhoods and votes for SD.

4.4.2 EU membership approval

We now turn to the support for the European Union. In 1994 Sweden held a referendum on membership in the European Union, 83.3 per cent of the Swedish eligible population voted. Of those
52.3 per cent voted in favour and 46.8 against membership (see figure 4.15). The population’s attitude towards the European Union was fragmented and has continued to be so according to the annual survey from the SOM-institute. Since the beginning of 2000 the support for the EU has however slowly but steadily increased and in the last survey in 2010 a majority answered that they were in favour of a Swedish membership.

**Figure 4.15 EU-membership approval; attitudes, 1992-2010, and referendum result, 1994.**

This fragmentation and scepticism was also evident in the Euro referendum in 2003. Voter turnout in the referendum was 82.6 per cent; of those 42 per cent voted yes and 55.9 per cent voted no (EU-upplysning 2012b). By these figures it is not possible to draw any conclusions whether the increased inequalities have had any impacts on the support for a Swedish EU membership.

### 4.4.3 Attitudes to refugees

Roughly speaking about half of the population states that they think it is a good idea accepting fewer refugees in to the country (see figure 4.16). The trend is however pointing in a more “refugee friendly” direction, where it seems as if the group thinking it is a good idea to accept fewer refugees has continued to decrease in favour of those who thinks it is a bad idea (in 1990, 61 per cent: 2011, 41 per cent). In an analysis of these results Demker (2012) shows that men are more prone to hold a negative attitude towards refugees than women, and the same goes for those with low education and sympathisers for the Swedish Democrats. These groups are the same reporting immigration as a
threat or a problem for the Swedish culture and Swedish values. Demker also presents a trend on those agreeing that immigrants should have the right to freely practice their religion, which also shows a more liberal development, between 1993 and 2011.

Figure 4.16 Proportion agreeing that it is a good idea to accept fewer refugees, 1990-2011.

![Graph showing proportion agreeing to accept fewer refugees over time.]


4.4.4 Getting ahead in society

One way of looking at fairness and inequalities is by separating the causes of a person’s less advantaged situation into such circumstances she or he are in control, such as own education and those that you are not in control of, such as parent’s education. That is why it is of interest to look at the proportion of Swedes responding to an interview question that it is important to come from a wealthy family to get ahead in life. The beliefs of the importance of knowing “the right people” may also say something about the general conceptions on the individual’s possibilities to determine his/her own success (see figure 4.17).

37 The result is based on the question; “Accept fewer refugees into Sweden?” and two of the five alternative answers; “Very good”/“Fairly good”. The alternative “Very bad”, “Fairly bad”, “Neither good, nor bad” proposal is not included in the figure.
A great majority responds that factors outside of the persons own achievements are important for the individual’s own success. A larger share believes that knowing the right people are essential compared to coming from a wealthy family. Comparing 2009 to 1999, there is now a smaller share agreeing that people surrounding the individual has an essential impact. It is however not possible to draw any conclusion on a trend during this period. We also present the information for 2009 together with information on educational level (see figure 4.18).

The groups with the second lowest and the highest educational level show the highest frequencies in believing that these external factors are important for getting ahead in society.

---

38Based on about 1000 respondents. Question: To get ahead in life: "How important is coming from a wealthy family?", "How important is knowing the right people?" Alternatives; "1 Essential, 2 Very important, 3 Fairly important, 4 Not very important, 5 Not important, 6 Can’t choose. ” The graph is based on alternatives 1-3
Figure 4.18 Getting ahead in society, by level of education, 2009.

Source: ISSP 2009.

4.5 Values about social policy and welfare state

During the last thirty years economic inequalities have increased and the political landscape has changed in Sweden, especially during the last decade the conservatives have increased their support while the Social Democrats have had historically low support. The Social Democratic Party is closely related to the welfare state. The conservative party has on the other hand traditionally not been associated with the universalistic values the Nordic welfare model stands for. Is the Moderate party’s progress in the latest elections a result of a changed public opinion on the welfare state? A simple explanation would be that the increased inequalities have had an impact on the opinion and by that affecting the election results. But is the story so simple? Svallfors (2011) shows that the public opinion on the welfare state is stable and strong during the same period.

“...First, there are absolutely no signs of any decreasing public support for welfare policies. Overall, there is a large degree of stability in attitudes, and where change is registered, it tends to go in the direction of increasing support. More people state their willingness to pay higher taxes for welfare policy purposes: more people want collective financing of welfare policies; and fewer people perceive extensive welfare abuse in 2010 than was the case in previous surveys. Class patterns change so that the salaried and the self-employed become more similar to workers in their attitudes....” (Svallfors 2011, p.819)
The shifted support from the left to the right might, rather than a change of political opinion, be a change in the populations opinion about the parties and the confidence in which party they believe would succeed in their efforts to keep an extensive welfare state. One indication of that is the results in the survey presented by Svallfors (2011) showing that the opinion among supporters of the conservative party has shifted and also supports an extensive welfare-state to a higher degree than before. This is also in line with the conservative party’s change of rhetoric’s more to the middle (for example they started to name themselves as Sweden’s new labour party (see chapter one)) and also a weakened trust in the Social Democratic party.

4.5.1 Opinions on income distribution

Figure 4.19 show that the majority of respondents think that the income differences are too large in Sweden.

Figure 4.19 Income differences are too large/ Government should redistribute income, 1991, 1999 and 2009.


Björklund and Jäntti (2011) analyses these figures for 1999, in an international perspective and concludes that these levels in Sweden reaches about the same levels as in Norway and the US and concludes that the levels of present income-differences in a country does not seem to have any

---

39Based on the questions; “The income differences are too large in Sweden.” and “It is the responsibility of the government to reduce the differences in income between people with high incomes and those with low incomes”; “Strongly agree”, “Agree”, “Neither agree nor disagree”, “Disagree”, “Strongly disagree” and “Can’t choose”.
direct relation to the opinion about the differences. However when we compare the levels for Sweden over time there has actually been an increase during the same time as the inequalities has increased. During the 1990’s the same goes for the share agreeing that the government should redistribute income. Edlund (2000) has analysed the public attitudes towards the Swedish taxation system between 1981-1997 in more detail and concludes that there is no eroding support and that there has not been any long term changes, at that time. The study further reveals that there were slightly more discontent with taxation among young people, those in higher socioeconomic positions and those in the private sector, although these differences varied over time.

As presented in the first chapter of the report Sweden was once regarded as being a relatively ethnically homogenous country. With increased immigration this has however changed (see chapter one) and some have argued that this has an effect on the support for the welfare state (Eger 2010; Alesina and Glaeser 2004), that could also of course be an indicator on the support for income redistribution. This hypothesis has been challenged (e.g. Finseraas 2012) and our (see also e.g. Svallfors 2011) results show that increased immigration has not had any clear effects on the attitudes and values for the welfare state.

4.5.2 Ethnic tension

In ISSP in 2009 the question on whether people believe that there exist ethnic tensions within the country was asked of respondents. The result shows that a majority agrees that there exist tensions between Swedes and non-western immigrants (see figure 4.20). The result also shows that there are no clear patterns according to educational level on this issue.
Some of the indicators in this chapter display a negative trend and an appearing, or more evident, social gradient during the last decades. This pattern holds for voter turnout in national elections, unionization and political participation. However this is only one part of the picture. At the same time internationally related issues such as the voter turnout in EP elections, the opinion toward EU and refugees shows an upward support. Turning to the indicators on institutional and interpersonal trust there is no unambiguous trend. From an international perspective the levels of trust are still high. However as in almost all of the other cases in the chapter, the social gradient is evident. Important to notice is the increased share responding that there are too large income differences in Sweden and that they discuss politics more. Could this be seen as a reaction to the increased income inequalities?

---

Figure based on the question; “In all countries there are differences and even conflicts between different social groups. According to your opinion, how big are the tensions between Swedes and immigrants from non-western countries?”; “Very strong tensions”, “Strong tensions”, “Not especially strong tensions”, “There are no tensions” and “Don’t know”.

---
5 Effectiveness of Policies in Combating Inequality

5.1 Introduction

Sweden has been pointed out as a prototypical example of the social democratic welfare state regime (Esping-Andersen, 1990) with an encompassing system of social protection (Korpi and Palme, 1998). Important trademarks of the Swedish welfare state have been the combination of extensive systems of cash benefits and public services (Korpi, 2000). In some policy areas this characterization still holds; yet in other programs the reorganization of the Swedish welfare state has been substantial. Major cutbacks to replacement rates in social protection were initiated along with the deep economic recession in the 1990s (see Chapter 1). In several programs, particularly in the cash transfer schemes, this downsizing of social protection has continued well into the 2000s, not least as part of the policy package adopted by the current centre/right government to increase incentives for employment. Central parts of their policy package have included earned income tax credits for those in gainful employment (Jobskatteavdrag) and cutbacks in unemployment compensation and sick-pay. As pension income is excluded from the above tax deduction based on employment income, the relative economic position of the elderly has also weakened. Partly as a consequence of the development of publicly provided social protection in Sweden, the role of occupational and private insurances against losses in work income have gained in importance, both concerning expenditure levels and number of beneficiaries (Sjögren Lindquist and Wadensjö, 2007).

Some areas of the welfare state have suffered less from retrenchment pressures, either due to structural-economic factors or for ideological reasons, and sometimes a combination of the two. The educational system is one such area and family policy is another. Health care provision has been expanded as well and new governance structures have been introduced to public services, largely influenced by ideas of new public management and quasi-markets, thus increasing the number of private service providers.

It is difficult to disentangle the exact consequences of this reorganization of the Swedish welfare state for social inequality. Some major reforms are still quite recent and there is a general absence of institutionally informed distributive analyses on policy impacts. Although the increase of income inequality since the 1980s seems mainly to be driven by the development of top incomes and capital incomes (Björklund and Jäntti, 2011; Chapter 2), some groups have experienced more changes to their living standards than others. One example is the slight increase of child poverty in the 1990s and the vulnerable position of families with the youngest children (SOU 2001), although child poverty
in Sweden has remained low by international standards, in part due to the organization of family policy (Ferrarini and Duvander, 2010).

5.2 Labour income

Minimum wages

Sweden does not have a system of state legislated minimum wages of the type common in other countries. Instead the state to a greater extent leaves it up to employer and employee organizations to negotiate wage levels for each sector of the labour market.

Wage bargaining

From the 1950s until the mid-1980s Sweden had a system of strongly centralized coordinated wage agreements between the Confederation of Swedish Enterprises and the white-collar as well as blue-collar unions. Since 1983, central wage increases were mainly determined at the industry level. During the recession of the early-1990s, the government appointed the Rehnberg Commission to set up wage recommendations for two-year agreements. After being approved at central level, these recommendations in the next step formed the basis for industry level negotiations.

In 1997, fears for upward wage spirals appeared and the Industrial Agreement was set up. This agreement aimed to increase coordination of wage bargaining and thereby securing the competitiveness of the Swedish export industry. The Industrial Agreement included both blue collar and white collar employees in the large export-driven industrial sector. Similar agreements were made also in the public sector, but the Industrial Agreement was expected to provide a norm or benchmark for wage setting in other sectors. Although certain central agreements were established within this framework, wage setting was mostly carried out at the local level.

In 2000 a new government agency, the National Mediation Office, was implemented to mediate labour market disputes and to facilitate a well-functioning wage setting. However, such state mediation in industrial conflicts is not an entirely new phenomenon, but has in different forms been regulated by law in Sweden since 1906. Between 1997 and 2010 wage agreements were made for three year periods in the manufacturing sector, within the framework of the Industrial Agreement. This system of negotiation broke down in 2010 after Engineering Companies leaving the agreement. The main argument of the Engineering Companies was that non-export sectors used the agreement mainly as a vehicle for their own wage interests and thereby not sufficiently considered the wider
issues surrounding competitiveness of the export industry. In 2011 a new Industrial Agreement was signed, including the Engineering companies, where the main objective was to strengthen the normative role of manufacturing industry in negotiated wage agreements.

Figure 5.1 shows the annual average wages per full-time and full-year equivalent employee in the total economy (2009 constant prices) and unit labour costs in Sweden 1980-2010. The latter indicator shows the average cost of labour per unit of output, calculated as the ratio of total labour costs to real output. Unit labour costs describe an increasing trend over the period, particularly in the 1980s and at a slower pace since 1990, where after labour unit costs have increased only on two occasions. In 1991 the ratio of total labour costs to real output rose from 0.5 to 0.6 and ten years later in 2001 the ratio increased from 0.6 to 0.7. Thus, over the last decade, unit labour costs have been remarkably stable. Average annual wages show a much steeper growth curve, particularly since the mid-1990s. Since 1993 the real value of annual average wages has increased by about 40 per cent. In sum, it can be concluded that average annual wages and unit labour costs are far from perfectly related in Sweden. In fact, unit labour costs have been fairly stable despite the sharp increase of annual average wages since the early 1990s. In this perspective of substantial wage increases it is interesting to note that the contribution of work income to the rise of income inequality in Sweden has been fairly modest (Björklund and Jäntti, 2011). Another and perhaps more powerful driver for changes in the Swedish income distribution is increased income polarization between wage earners and those without employment income. See chapter 2 for more details concerning the dispersion of earnings in the context of increased income inequality in Sweden.

Figure 5.1 Annual average earnings and unit labour costs in Sweden 1980-2010. Note: Earnings at 2009 constant prices.

![Graph showing annual average wages and unit labour costs in Sweden 1980-2010](image_url)

Source: OECD.
5.3 Taxation

Income taxation

The Swedish Income tax system consists of municipal (including regional) taxes, state tax and employee social security contributions. The average municipal tax rate was 31.5 per cent in 2011. State tax applied for yearly taxable income above 383 000 SEK. Income between 383 000 and 548 300 was taxed at 20 per cent. Income above this bracket was taxed at 25 per cent. The voluntary church fee is included in the average municipal tax rate above, corresponding to 1.23 per cent of taxable income. The voluntary church fee replaced a compulsory church tax in the mid-1990.

Along with the major tax reform of 1990/1991, the Social Democrats and the Liberals agreed that the marginal tax rate at the highest level should not be above 50 per cent. During the economic crisis in the mid-1990s a further five per cent was temporarily added at the highest bracket by the Social democratic government. This perceived short-term increase of the state tax has been subject to continuous debate, but so far the centre/right government have prioritized other tax cuts. As we noted in Chapter 2 another major part of the tax reform was the introduction of a dual income tax system, where the tax levied on capital income became flat-rate.

The most notable change in income tax regulation since the great tax reform of the early 1990s have been the successive expansions of a flat-rate earned income tax credit (Jobskattavdrag), lowering the overall tax rate imposed on earnings. The earned income tax credit was implemented in four steps between 2007 and 2010. As a consequence, employment income is now taxed at a lower rate than income from the major social insurance programs; including unemployment, sickness and parental leave benefits as well as old age pensions. The earned income tax credit was among other things financed by cut-backs in unemployment and sickness benefits. One central objective of the earned income tax credit reform was to increase employment of low income groups, although it has not yet been possible to discern any clear effects in this regard (Edmark, Liang, Mörk and Selin 2012).

Value Added Taxes

Value added sales taxes (VAT) are levied at different rates, 25, 12 or 6 per cent of sales prices (before VAT) depending on commodity. Some types of goods and services are exempt from sales tax; including care services, education, bank and insurance services and artist fees. One recent reform concerns restaurant services, where the tax rate was lowered from 25 to 12 per cent in January 2012. The main motive was to create more jobs for youths in the service sector. The reform has been criticized for being too expensive with only limited returns in terms of new employment.
opportunities for young people. Critique has not only been expressed by the political opposition, but also in academia and at EU-level concern has been raised.

**Social Security Contributions**

Employer social security contributions (Arbetsgivaravgift) are paid as a per cent of the total taxable wage of employees. In 2012 employer social security contributions are 31.42 per cent. Employer social security contributions consist of specified fees for the different parts of social insurance. For example, old age pension contributions are 10.21 per cent of all pre-tax wages for income up to 7.5 Income Base Amounts (in total 409500 SEK in 2012).

The wages of some people are exempt from employer social security contributions. For persons over 75 (born before 1937), social security contributions are not levied on employment income. For persons aged 66 to 74 (born 1938-1946) only the old age pension contribution of 10.21 per cent is paid. There is also a reduction of employer social security contributions for persons younger than 26 (born after 1986), where only the old age pension fee is paid plus 15.49 per cent of additional employer social security contributions. This reduction for young people has been subject to extensive public debate and the reform has been criticized for being too costly and results in very few new jobs for young people. Not only have the political opposition and the unions been sceptical towards the reform, but government bodies, such the Swedish National Audit Office and the Swedish Fiscal Policy Council, have also raised concerns. The political opposition proposes more direct measures to create jobs for the young, in addition to measures aimed at raising educational levels of youths. Nonetheless, the centre/right government has maintained that lower social security contributions for youths eventually will create jobs. In 2012, the government even considered further lowering employer costs of youth.

Even if the main part of social security contributions are paid by employers there are also social security contributions paid by the employed. Employees pay a public pension fee amounting to 7 per cent of income, including social insurance income, with the exception of sickness benefits and income from active labour market policy programs.

Several tax deductions for the purchasing of services are currently in force. Tax deductions are available for costs related to renovating dwellings (ROT), up to a maximum 50000 SEK for half of labour costs excluding material costs. The current ROT-deduction has been used since 2008, but similar grants have been available during earlier recessions to counteract low demands in construction industry. A deduction similar to ROT was introduced in 2007 for household services (RUT), including charges for cleaning, child minding and gardening. The RUT reform was parallel to a
greater family policy package proposed in the electoral campaign by centre/right government. The reform was intended to support families and create jobs in the service sector. Deductions include 50 per cent of costs for services at a maximum of 50000 SEK per taxpaying household member, thus similar to ROT above. Arguments against the reform have at times been extensive, particularly when RUT was introduced. In comparison with ROT, the countercyclical nature of RUT is less manifest and the program are sometimes viewed as a permanent subsidy for low-skilled service jobs, mainly utilized by people with high incomes. The Social Democrats were previously opposed to RUT, but have recently stated that RUT may not be immediately removed if they come into power. Instead RUT may be adjusted to become more progressive and redistributive in character.

Figure 5.2 shows tax revenue as percentages of GDP in Sweden 1980-2010. Besides total tax revenue we have also included separate figures for taxes on income and property, social security contributions and VAT. Total tax revenue has fluctuated between 46 and 52 per cent of GDP over the period and it is difficult to find any clear overall trend of either expansion or contraction. Total taxes on income and property have been reduced since the 1980s, particularly since the turn of the new millennium when the state property tax was replaced by a lower municipal property fee in 2008 and the successive steps of the job tax deduction were carried out 2007 to 2010. In 2007 Sweden also abolished the wealth tax levied at 1.5 per cent of wealth over 1.5 million SEK. The social security contributions have fluctuated around 13 per cent of GDP, with a slight downward trend since 2000. Revenue from VAT shows a slow and steady upward trend, increasing over the period 1980-2010 from 6 to almost 10 per cent of GDP. The distributive effects of these changes are not always easy to disentangle, but it seems reasonable to assume that the abolishment of wealth tax has increased income inequality, although the exact magnitude is unclear at the moment. In fact, when capital revenue is included in the analysis a substantial share of the rise in income inequality in Sweden over the recent decades can be explained by the rapid increase in top incomes. In a study analysing top income shares in Sweden over the period 1903–2004, Roine and Waldenström (2007: 366) even concludes “A possible interpretation of our results is that Sweden over the past 20 years has become a country where it is more important to make the right financial investments than to earn a lot to become rich”.

41 To give a view on the bivariate relation between changes of income inequality and the social indicators we have in chapter 3, 4 and 5 included a trend line for the Gini coefficient. Since we only are interested in the trend for the whole period of 1980 and onwards we use the older household definition (see further discussion in Chapter 2 and figure 2.1).
Figure 5.2 Tax Revenues as percentages of GDP in Sweden 1980-2010: Total tax revenue, taxes on income and profits, social security contributions and value added tax.

5.4 Social policy and expenditures

Recent decades have presented new challenges to the Swedish welfare state; often with far-reaching consequences for the organization of cash benefit programs and public services. The changes to social protection noted above have in many cases been initiated against a backdrop of a long-term labour market transformation, involving changes in orientation of macro-economic policy, de-industrialization of production and globalization of markets for capital, products, and labour. At times, these frequently protracted developments have been augmented by more immediate reform pressures, such as those generated by the sharp rise in unemployment following the financial crisis of the Swedish economy in the early 1990s.

Since the early-1990s, the majority of changes to cash benefit programs in Sweden have mostly been in the downward direction reducing replacement rates in programs. In the 1990s cutbacks were foremost motivated by fiscal constraints. In the last decade the changes to cash benefits has been more motivated by increasing work incentives at the individual level. The most notable signs of retrenchment have occurred in certain areas of social insurance and social assistance. The typical replacement rate of unemployment insurance has declined by more than a third between 1990 and 2010. In sickness and work-accident insurance the cutbacks to replacement levels are only moderately smaller. For higher wage earners replacement rates have deteriorated even faster, and
maximum social insurance benefits have been reduced by almost one half since 1990. There have also been changes of eligibility criteria and the financing of social insurance, often restricting access to programs (Ferrarini, Nelson, Palme and Sjöberg 2012).

Meanwhile, pressures on social assistance have increased, both in terms of expenditures and beneficiaries (Kuivalainen and Nelson 2011). The growing importance of minimum income benefits does not imply that social assistance benefit levels have become more generous. Quite the opposite, social assistance benefit levels have deteriorated even faster than social insurance replacement rates, often due to an insufficient updating of benefits to income growth but also because of absolute cuts and re-basing of basic scale-rates (Nelson, 2007). Parallel to this decline of programs for income redistribution there has been a growth in several areas of public services since 1980, perhaps most prominently in family policy (Ferrarini and Duvander 2010) and health care (Montanari and Nelson 2012).

In order to illustrate the decline of social protection in Sweden, Figure 5.3 shows the net replacement rates of unemployment and sickness insurance since 1990. These replacement rates refer to the situation of an average production worker in manufacturing and reflect the situation of a single householder and a one-earner family with two dependent children. Two time periods of work absence are used: The first week after waiting days and the first 26 weeks after waiting days. In addition we show the adequacy rate of social assistance, which is the level of the benefit package for people without work income and no access to contributory social insurance benefits as percentage of the EU at-risk-of-poverty threshold in each country. Thus, the social insurance replacement rate and the social assistance adequacy rate are not strictly comparable. The social assistance benefits package includes available means-tested benefits, child benefits, housing benefits and tax credits for which the household is eligible. The type-cases are the same as in the analysis of social insurance benefits outlined above. For more detailed information on the computation of social insurance replacement rates and social assistance adequacy rates see Palme et al. (2009) and Nelson (2012). The level of social insurance replacement rates and social assistance adequacy rates mirror the description above and the general trend for the period 1990-2010 is one of welfare state retrenchment. The increase of social assistance benefit adequacy in the early-1990s is predominantly due to changes in median disposable income following the economic recession at the time. The corresponding increase in the unemployment insurance replacement between 2000 and 2005 is mostly due to changes in earnings-ceilings for benefit purposes.
Figure 5.3 Tax Revenues as percentages of GDP in Sweden 1980-2010: Total tax revenue, taxes on income and profits, social security contributions and value added tax.

Source: The Social Citizenship Indicators Program (SCIP), The Social Assistance and Minimum Income Protection Interim Dataset (SaMip) and the Social Policy Indicators Database (SPIN).

The decline of social protection in Sweden over the most recent decades is less visible in social expenditure data. One reason is of course that social spending tends to vary according to changes in welfare needs over the business cycles. Nonetheless, Figure 5.4 shows social expenditure (both cash and in-kind) as percentage of GDP according to program branch in Sweden 1980-2007. Both cash benefits and in-kind benefits are included. All three program areas expanded in expenditure during the economic crisis in the early-1990s. Particularly expenditure on unemployment and active labour market programs increased substantially. Since the mid-1990s, however, expenditure for unemployment, active labour market policy and social welfare has declined. The major exception to this pattern is expenditure for unemployment, where social spending as percentage of GDP increased somewhat between 2002 and 2004.

The Swedish unemployment insurance program has undergone substantial changes in the most recent years, concerning both replacement rates and benefit coverage. In 2005, Sweden had the second most generous unemployment insurance program among the OECD countries. Only Switzerland had a higher unemployment insurance replacement rate than Sweden. Five years later, in 2010, the Swedish unemployment insurance replacement rate is below the average of the OECD countries. Due to changes introduced to the financing of unemployment insurance, including substantially increased member fees for some occupational groups, the coverage of earnings-related
unemployment insurance benefits has also been substantially reduced (Ferrarini, Nelson, Palme and Sjöberg 2012).

Figure 5.4 Social expenditure (both cash and in-kind) as percentage of GDP according program branch in Sweden 1980-2007.

Health expenditure as percentage of GDP declined during the 1980s and up to the mid-1990s, whereas there was a slight increase in spending in the immediate years following the New Millennium. Expenditure on incapacity related programs shows more of a roller coaster pattern with a clear increasing trend from the mid-1980s up to the mid-2000s. Since 2005 expenditure on incapacity related benefits has somewhat reduced. Over this period changes have been introduced to both health care and incapacity related benefits. Private health expenditure has increased and in terms of governance there has been an increase of private actors providing care. Both health care centres and a few hospitals have been privatized and purchaser provider splits have increasingly been implemented in the provision of health care (Montanari and Nelson, 2012). In terms of sickness insurance we see a similar decline in replacement rates as in other major social insurance schemes. In addition the duration of Swedish sickness insurance has been substantially reduced. In 2000 the duration of sickness insurance benefits was in practice unlimited. A few years later the maximum duration was set to one year, with few exceptions. After this one year period in receipt of benefits, a
new assessment must be made. Nowadays, the duration of the Swedish sickness insurance scheme is below the OECD average (Ferrarini, Nelson, Palme and Sjöberg 2012).

Expenditure of survivors benefits have been quite stable in Sweden, corresponding to between 0.5 and 0.8 per cent of GDP over the period. Expenditure on old age benefits has fluctuated more. Since 1980 there was a slight upward trend in old age benefit expenditure, corresponding to 7.7 per cent of GDP in 1980 and to 9.0 per cent in 2006. There was a sharp increase in old age benefit expenditure in the early-1990s, something that probably reflects the inclusion of pre-retirement benefits in this expenditure category. In Sweden there was a general increase of pre-retirement the 1990s crisis. The Swedish old-age pensions system has changed considerable over this period, particularly in the mid-1990s when a new pension system with a funded pension component was introduced. This reform has introduced elements of individual risk-taking and made pension entitlements more automatically linked to macro-economic developments. In the Swedish premium pension case (Premiepension), this largely involves developments of the stock-market. Most individuals have their pension premium in funds that at least partly invest in the stock-market. The shift from defined benefit formula in Sweden to a notionally defined contribution formula is changing the generational contract in yet different ways, for example, by treating different cohorts in the same way when it comes to the financing of the scheme. Concerns have been raised that the new pension system will reduce the degree of income security in old age. According to one evaluation, old age pension entitlement will most likely be lower than envisioned by policy makers when the new pension scheme was designed, in broad coalition between the major parties in the Swedish parliament (LO, 2010). We also have the issue of the so-called “brake” in the pension system. This “brake” nominally reduces pensions to contain costs during periods of slow growth and high unemployment. When the new pension system was introduced, most experts believed that the “brake” most likely would never be used, but it has in fact already lowered pensions twice since the global financial crisis of 2008.

Expenditure on family benefits was quite stable in the 1980s, where after a sharp but short increase occurred in the early-1990s. Thereafter expenditure went down until the turn of the new Millennium, when expenditure levels increased again. One explanation to these fluctuating trends is demographic changes. Expenditures went up in the early-1990s as the baby boomers of the 1960s began to have children of their own. Another explanation for the rise in family benefit expenditure in the 1990s is the economic recession, which among other things meant that municipalities begun to reduce personnel density in public day care. Partly as a consequence of increasing unemployment and unstable work positions many women also came to delay childbearing to the latter part of the 1990s. It should be noted that the recently introduced family related tax deductions are not treated as family benefit expenditure in the national accounts.
From the early 1970s, and for nearly four decades, family benefits in Sweden have increasingly been designed to support dual earner families and more gender egalitarian patterns of care. Major reforms include parental leave, public childcare, separate income taxation and family law. The principle of individual taxation was introduced in 1971, and fully established with the removal of a deduction for a non-economically active spouse. Earnings-related parental leave was implemented in 1974 and subsequent reforms in 1994 and 2002 introduced increased earmarking for fathers and extended leave periods. Public childcare is heavily state subsidized and has since the 1970s been gradually extended to cover most one year old children. Children less than one year are usually cared for at home, when parents are on paid parental leave. Maximum user fees for child care was introduced in 2002, corresponding to 1140 SEK per month for the first pre-school child; 760 for the second child; and 380 for the third child. Care is provided at least 40 hours per week.

The family policy program of the centre/right government has since 2006 introduced a more mixed orientation of family policy, with the declared purpose of increasing the individual choice of families in the parenting of children. Particularly, a meagre flat-rate child care leave benefit was introduced, which mainly is expected to support female home-making. The reform was forwarded by the Christian Democrats. The introduction of the child care leave grant is the result of a political compromise among the centre-right government. Due to the implementation of the child care leave grant a conflict around gender equality has arisen, particularly between the Liberal party (Folkpartiet), a longstanding supporter of gender egalitarian policies, and the Christian Democrats (Kristdemokraterna) who are in favour of programs supporting traditional family patterns.

The childcare leave benefit is optional for municipalities to introduce and parts of the costs are subsidized by the state. Many municipalities, particularly those with social democratic incumbency, have refrained from introducing this benefit. The Social Democrats have declared that the child care leave benefit will be abolished if they win the next state election. The main argument is that the benefit harms women’s labour market prospects, not least among immigrant groups. Another reform, which is in line more with the previous policy orientation of supporting dual-earner families, is the gender equality bonus in parental leave, which is paid in cases where the earner with the highest income (typically a father) is on leave, while the other spouse is working. The bonus is designed as a tax deduction and therefore does not count as conventional social expenditure. The complicated structure of the benefit has led to fairly low take up among those eligible, and the application procedure have recently been reformed to facilitate take-up.
5.5 Education

Average levels of education have increased in Sweden as in most other rich countries. The main lines of political conflicts have concerned upper secondary education, for example the role of private providers and the possibilities for students in secondary education to qualify for tertiary education. 

*Figure 5.5* shows the share of individuals aged 30 with at least two years of upper secondary education. This share increased from around 80 to 93 per cent over the period 1985-2005. The share of individuals aged 30 with at least two years of upper secondary education has declined somewhat in recent years and at the end of the period the rate is slightly below 90 per cent.

*Figure 5.5* Share of individuals aged 30 with at least two years of upper secondary education. Note: break in series 1999-2000 is due to change in original educational statistics.

Source: The Swedish National Agency for Education.

There is an on-going debate in Sweden concerning the organization of upper secondary school. The Social Democratic party wants to organize upper secondary education in ways that make it possible for basically all students to fulfil the theoretical qualifications for tertiary education. The centre/right coalition government is more in favour of making a distinction in upper secondary education between tracks aiming at further academic studies and tracks aiming directly at work in the labour market. The number of places in adult education has been substantially reduced since the centre/right government came into power. Nowadays it is much more difficult to complement upper secondary school with adult education and acquire necessary competence for further studies at tertiary level. The declining share of individuals with upper secondary education in recent years may partly be due to restrictions imposed on adult education.
During the economic crisis and the return of mass unemployment in the 1990s the Social Democratic government launched a major reform combining educational policy and active labour market policy – Kunskapslyftet. The chief objective was to provide secondary education to unemployed persons, thereby reducing unemployment in the short run and increase employability in the longer time perspective. During the operation of the program 1997-2002 nearly 110000 new places were provided. Those qualifying for unemployment benefits could maintain corresponding compensation while taking on studies.

It has become much easier to establish privately operated but publicly financed schools in Sweden. School fees are not allowed. Instead each student from first grade has a school capitation allowance, which is paid directly to the school by the municipality. Primary and secondary education in Sweden is still governed by local authorities, although all municipalities have to comply with national legislation. All municipalities run their own schools. Most kids still go to public schools run by municipalities, although enrolment in private “free” schools has become more common. In the nine year compulsory school system the number of students in privately operated schools has increased from around 20000 in 1995/96 to over 100000 in 2010/11, which is around 12 per cent of all students at this educational level. The developments in upper secondary education have been even more dramatic, with around 24 per cent of students in privately operated education 2010/11 (Skolverket 2012). There is an on-going discussion of transferring the responsibility for primary and secondary education from the municipality and back to the state. One reason is worries raised in connection with wide local differences in the quality of education.

Another politically contentious issue concerns the possibility to make profit in privately operated public service institutions, where some private producers of caring services and education are large multi-national companies. The centre/right government defends profit among private producers of public services for ideological reasons and with the conviction that privatization may increase competition and improve service quality and individual choice among users. In the opposition, the Left Party is generally against profits, as long as the surplus is not reinvested to increase the quality of provision. The Green Party and the Social Democrats are more hesitant and have recently been discussing internally how to position themselves to profits in privately produced public services. According to a recent evaluation it is still unclear whether the strengthened role of private providers in education and care services has fostered efficiency, for example, in terms of reducing administration costs and increase levels of service provision (Hartman, 2011).

Financial support to students 16-20 years of age is granted monthly and amounts presently to 1 050 SEK. In 2012 a total monthly amount of 8 676 SEK is paid during full time studies, of which 5 956 consists of a loan and 2 720 is paid as a non-taxable grant. Student support is nowadays generally
paid for a maximum of six years. Every year the accumulated student loan is up-rated with the average state loan interest rate during the past three years (1.5 per cent in 2012). After leaving studies for work the student begins repaying loans on an annuity basis. Loans should typically be repaid within 25 years after leaving studies.

Figure 5.6 shows expenditures per education level as percentages of GDP in Sweden 1986-2008. Data for tertiary education is only available from 1997 and onwards. It is quite evident that expenditure on secondary education increased in the early-1990s, along with the introduction of “kunskapslyftet” noted above. Since then expenditure on secondary education has been more stable, although a slight downward trend can be discerned. Expenditure on primary education has been reduced particularly in the most recent years. It is beyond the scope of this country report to assess the extent to which this downward trend has had any influence on the more qualitative aspects of teaching and school performance.

Figure 5.6 Expenditure of Primary, Secondary and Tertiary Education as Percentage of GDP in Sweden 1985-2008.

![](Source: OECD)

5.6 Conclusions

The Swedish welfare state has undergone substantial changes since the early-1990s. In several ways this re-organization of social policy deviates from the broader configuration of Sweden as belonging to a social democratic welfare state regime. In other ways Sweden still shares important trademarks of an encompassing welfare state, with extensive welfare state services and generous cash benefits for the majority of the population, for example in the area of family policy. In other areas substantial cutbacks have occurred, including social protection targeted at the unemployed, sick and elderly.
Sweden can to some extent be viewed as a late-comer among the Western countries in terms of the timing of welfare state retrenchment, which in Sweden occurred first with the economic recession in the early-1990s. Particularly in the major social insurance programs this downsizing of the Swedish welfare state has in several respects continued to characterize social policy development in Sweden. Quite substantial changes have also been made in the fiscal system, substantially lowering income and property taxation; while abolishing wealth and inheritance taxes.

Another trend that deviates from earlier trademarks of the Swedish welfare state is the growing importance of private providers in public services and in education. To some extent, the role of private solutions in social protection is also visible in cash benefits, where occupational benefits particularly have become much more important to satisfy the demand for income security among the middle-classes.
6 Acknowledgements

We would like to express our gratitude to Jonas Edlund, Jonas Hägglund, Leif Johansson and Sofi Ohlsson-Wijk, for valuable comments and contributions, and to Abigail McKnight whose insightful comments on earlier drafts definitely improved the content. Finally, we would like to thank Johan Rehnberg for excellent assistance in the editing of the report.
References


National SOM 1986-2010 The SOM Institute at University of Gothenburg, Data-files deposited at Swedish National Data Service in Gothenburg, Sweden.


GINI Country Report Sweden


National SOM 1986-2010 The SOM Institute at University of Gothenburg, Data-files deposited at Swedish National Data Service in Göteborg, Sweden.


Statistics Sweden (2010b) http://www.scb.se/Pages/TableAndChart____195803.aspx [Accessed September 2012]


Statistics Sweden (2012a) [online] Available at: http://www.scb.se/Pages/TableAndChart____74161.asphttp://www.scb.se/Pages/TableAndChart____74161.aspx [Accessed at 6 September 2012]


Statistics Sweden's Electoral Participation Survey (PSU) [online] Available at: http://www.scb.se/Pages/List____250612.aspx [Accessed 10 April 2012]


Appendix 1 - Log table Chapter 3
## Log Table, Chapter 3

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gini</td>
<td>↗</td>
<td>↗</td>
<td>→</td>
<td>↗</td>
<td>↗</td>
<td>2.1</td>
</tr>
<tr>
<td>Material Deprivation</td>
<td>→</td>
<td>↗</td>
<td>↗</td>
<td>→</td>
<td></td>
<td>3.1</td>
</tr>
<tr>
<td>Social assistance benefits</td>
<td>n.i.</td>
<td>↗</td>
<td>↗</td>
<td>↓</td>
<td>↓</td>
<td>3.2</td>
</tr>
<tr>
<td>Long term social assistance benefits</td>
<td>n.i.</td>
<td>↗</td>
<td>↗</td>
<td>↓</td>
<td>↓</td>
<td>3.2</td>
</tr>
<tr>
<td>No close friend</td>
<td>↓</td>
<td>↓</td>
<td>→</td>
<td>↓</td>
<td>↓</td>
<td>3.3</td>
</tr>
<tr>
<td>Fertility and Birth rates</td>
<td>↗</td>
<td>↓</td>
<td>↓</td>
<td>↑</td>
<td>↗</td>
<td>3.5</td>
</tr>
<tr>
<td>Marriages</td>
<td>↗</td>
<td>↓</td>
<td>↓</td>
<td>↑</td>
<td></td>
<td>3.6</td>
</tr>
<tr>
<td>Divorces</td>
<td>→</td>
<td>↗</td>
<td>↗</td>
<td>↓</td>
<td>↑</td>
<td>3.6</td>
</tr>
<tr>
<td>Life expectancy at birth</td>
<td>↗</td>
<td>↗</td>
<td>↗</td>
<td>↑</td>
<td></td>
<td>3.8</td>
</tr>
<tr>
<td>Infant mortality</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
<td>3.9</td>
</tr>
<tr>
<td>Psychological distress</td>
<td>n.i.</td>
<td>n.i.</td>
<td>n.i.</td>
<td>n.i.</td>
<td>↗</td>
<td>3.11</td>
</tr>
<tr>
<td>Housing, Rented apartments</td>
<td>↓</td>
<td>→</td>
<td>→</td>
<td>↓</td>
<td>↗</td>
<td>3.13</td>
</tr>
<tr>
<td>Housing, Home-ownership</td>
<td>→</td>
<td>→</td>
<td>↓</td>
<td>↑</td>
<td></td>
<td>3.13</td>
</tr>
<tr>
<td>Housing, Tenant-owned</td>
<td>↗</td>
<td>→</td>
<td>↑</td>
<td>→</td>
<td></td>
<td>3.13</td>
</tr>
<tr>
<td>Housing, House prices</td>
<td>↗</td>
<td>↓</td>
<td>↑</td>
<td>↑</td>
<td>↗</td>
<td>3.14</td>
</tr>
<tr>
<td>Prison population</td>
<td>n.i.</td>
<td>↓</td>
<td>n.i.</td>
<td>↑</td>
<td>→</td>
<td>3.18</td>
</tr>
<tr>
<td>Total reported crimes</td>
<td>↗</td>
<td>↓</td>
<td>↓</td>
<td>↑</td>
<td>↗</td>
<td>3.19</td>
</tr>
<tr>
<td>Happiness</td>
<td>→</td>
<td>→</td>
<td>n.i.</td>
<td>→</td>
<td>→</td>
<td>3.23</td>
</tr>
</tbody>
</table>

s=Substantial change, n.i.=no information
## Appendix 2 - Log table Chapter 4

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gini</td>
<td>↗</td>
<td>↗</td>
<td>→</td>
<td>↗</td>
<td>↗ s</td>
<td>2.1</td>
</tr>
<tr>
<td>Electorate turnout, national</td>
<td>↓</td>
<td>↓</td>
<td>→</td>
<td>↗</td>
<td>↓ s</td>
<td>4.1</td>
</tr>
<tr>
<td>Electorate turnout, EP</td>
<td>n.a.</td>
<td>↓</td>
<td>n.a.</td>
<td>↗</td>
<td>↗</td>
<td>4.3</td>
</tr>
<tr>
<td>Unionization</td>
<td>↗</td>
<td>↓</td>
<td>↗</td>
<td>↓</td>
<td>↓ s</td>
<td>4.5</td>
</tr>
<tr>
<td>Political participation</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
<td>↓ s</td>
<td>4.7</td>
</tr>
<tr>
<td>Institutional trust (Government)</td>
<td>↓</td>
<td>↗</td>
<td>↓</td>
<td>↗</td>
<td>→</td>
<td>4.11</td>
</tr>
<tr>
<td>Institutional trust (Police)</td>
<td>→</td>
<td>↓</td>
<td>↗</td>
<td>↗</td>
<td>→</td>
<td>4.11</td>
</tr>
<tr>
<td>Interpersonal trust</td>
<td>↗</td>
<td>→</td>
<td>n.i.</td>
<td>→</td>
<td>↗</td>
<td>4.13</td>
</tr>
<tr>
<td>EU membership approval</td>
<td>n.i.</td>
<td>↗</td>
<td>↗</td>
<td>↗</td>
<td>↗</td>
<td>4.15</td>
</tr>
<tr>
<td>Good idea to accept fewer refugees</td>
<td>n.i.</td>
<td>↓</td>
<td>→</td>
<td>→</td>
<td>↓ s</td>
<td>4.16</td>
</tr>
<tr>
<td>Getting ahead (depends on wealthy family)</td>
<td>n.i.</td>
<td>↗</td>
<td>n.i.</td>
<td>↓</td>
<td>→</td>
<td>4.17</td>
</tr>
<tr>
<td>Getting ahead (depends on knowing right people)</td>
<td>n.i.</td>
<td>↗</td>
<td>n.i.</td>
<td>↓</td>
<td>→</td>
<td>4.17</td>
</tr>
<tr>
<td>Government should redistribute</td>
<td>n.i.</td>
<td>↗</td>
<td>n.i.</td>
<td>→</td>
<td>↗</td>
<td>4.19</td>
</tr>
<tr>
<td>Income differences are too large</td>
<td>n.i.</td>
<td>↗</td>
<td>n.i.</td>
<td>→</td>
<td>↗ s</td>
<td>4.19</td>
</tr>
</tbody>
</table>

s=Substantial change, n.i.=no information, n.a.= not applicable