



Significant increase in local welfare spending in Sweden

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In April 2016, the Swedish government increased by 10 billion SEK (around 1.1 billion EUR) the financial resources it allocates each year to municipalities to contribute to local welfare services. This is expected to generate more than 20 000 jobs in the welfare sector from 2017 onwards.

Description

Most welfare services in Sweden are provided by municipalities. In April 2016, the Swedish government with support from the Left Party increased by 10 billion SEK (around 1.1 billion EUR) the financial resources it allocates each year to municipalities to contribute to local welfare services. Compared with the situation in 2015, this represents a rise of more than 10% in the state budget allocated to municipalities. (Note, however, that the municipalities raise more than 80% of their budget independently of the central state.) The idea is to increase the number of employees in the welfare sector, with three main purposes: improving the quality of welfare service, improving working conditions for those already employed in the sector, and lowering unemployment. The gender dimension of this endeavour is also strongly emphasised as the large majority of workers (well above 80%) in this sector are females.

This measure follows the temporary allocation in 2016 of a similar sum of money to the municipalities to deal with the massive increase in the number of refugees during the autumn of 2015 (see ESPN Flash Report 2016/9).

The increased spending is meant to be permanent to achieve a better planning horizon. Many municipalities are expecting significant investment costs in

schools and pre-schools in the near future, as well as increasing costs for old-age care. Initially, support will be directed to the municipalities according to the number of inhabitants and depending on the number of asylum seekers and other newcomers that the municipality has received. This initiative contrasts with the tax cuts of the previous centre-right government, which have coincided with declining school results (see results from the OECD "Programme for International Student Assessment "PISA") along with cuts in staff. Also, 140 000 Swedes had to reduce their working hours in order to look after relatives. One expected result of this increased investment in the welfare sector is more than 20 000 new employees. Teachers, nurses' assistants and social workers are mentioned as the kinds of professions that will expand. The government and Left Party have embarked on a 60 billion SEK (around 6.3 billion EUR) investment programme for the welfare sector, covering a period of 6 years. This strategy is part of a vision to sustain the Swedish Welfare Model.

Outlook & Commentary

This expansion of state-support to the municipalities is the largest since the present financial allocation system was introduced more than 20 years ago. Still,

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these are comparatively modest resources in relation to past tax and spending cuts. Tax cuts have been higher than 10 billion EUR while spending cuts have been mostly directed to transfers.

An intrinsic problem with increasing the resources going to the municipalities is that the municipalities have a high degree of sovereignty. This means that the municipality can decide in more detail how to allocate the increased budget. This could be an advantage in terms of adjusting spending to local needs, but there is always a risk that the municipalities for party political or other reason have other priorities than the central government leading to a situation where the national goals are not met. For example, the goal of increasing the number of employees in the welfare sector by 20 000 might be realistic in economic terms but will ultimately be dependent on local decision. Moreover, the refugee situation might consume all resources over the coming years if

the number of refugees starts to increase again towards the very high numbers in 2015, unless such an upsurge is matched by further increased resources from the central state level. In sum, it is far from certain that the goal of more than 20,000 new employees will be met.

The launch of this initiative was applauded by the Swedish Association of Local Authorities and Regions (SKL) but is criticised by other actors on a number of points. The Conservative Party (Moderatema) spokesperson on economic policy criticises the programme for being a road to an increasing public finance deficit due to the lack of full funding. The taxpayers' association opposes the increased spending because of the higher taxes implied. Instead they propose that spending can be cut by examining those municipalities with higher than average spending. The Sweden Democrats want to save an equivalent amount by reducing support to asylum seekers and refugees.

Further reading

Government's proposal:

<http://www.regeringen.se/pressmeddelanden/2016/04/valfardsmiljarder-till-kommunerna/>

Comment from Sweden Democrats:

<http://www.svt.se/nyheter/inrikes/sd-slopa-bidrag-till-flyktingar-spara-10-miljarder>

Comment from Taxpayers'

organisation: <http://www.svd.se/sa-kan-kommuner-frigora-miljarder-till-valfard>

Comment from the Conservative Party

(Moderaterna): <http://omni.se/m-om-valfardsmiljarderna-regeringen-ar-oforsiktig/a/KdwE>

Comment from the Swedish

Association of Local Authorities and Regions (SKL):

<http://skl.se/tjanster/press/nyheter/nyhetsarkiv2016/10miljardertillkommunerochlandsting.9022.html>

For more information on PISA, see:

<https://www.oecd.org/pisa/home/>

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