Sweden: IMF and OECD demand deeper social cuts

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Recent International Monetary Fund (IMF) and Organisation for Economic Co-operation and Development (OECD) reports on the Swedish economy have called for a deepening of the decade-long assault on social redistribution. With a general election on September 15, international and domestic capital is signalling that there will be no let up in the drive to increase profits at the expense of the living standards of broad sections of Swedish society.

An IMF report of August 7 states: “Structural reforms reinforced by EU [European Union] membership have helped raise efficiency and [in] mitigating distortions associated with Sweden’s large welfare state.” These sentiments were already voiced by a June 28 OECD report which makes clear that “structural reforms are needed to assure better medium term growth ... Rigorous evaluation of performance in each area of public service would also help to promote efficiency and identify low-return programmes.”

Swedish Social Democratic Party (SAP) Minister of Finance, Bosse Ringholm, welcomed the reports, saying that he shared many of their conclusions. The SAP, propped up by their parliamentary allies the Left Party and the Greens since 1998, has already been engaged in implementing large scale reductions in government social spending.

Government spending has fallen from 66.6 percent of GDP in 1993 to 51.3 percent in 2001. Though still at a relatively high level compared to many other Western countries, the SAP, who replaced the right wing Moderate government in 1994, has presided over a period of social cutbacks on a scale unseen anywhere else in Europe.

Two aspects of social spending that attract particular attention from the IMF and OECD are sick pay and disability pensions. Increased pressure in the workplace has forced tens of thousands more Swedes to withdraw from work because of illness. The Swedish government spends 113 billion Skr ($12 billion) per year, or 16 percent of the national budget, on sickness and disability payments. The IMF complains, “[a] surge in sickness absenteeism and continued high levels of disability retirement have eroded the labour supply.” They acknowledge that the huge cuts in government spending have been largely responsible for creating the health crisis among workers: “It is possible that cuts in fiscal expenditures during the second half of the 1990s led to a rise in work-related stress, particularly in the health and education sectors.”

Those whom capital drives to ill health are no longer to be permitted a ready means of escape from work-related pressures. The SAP plans to cut central government spending on sickness and disability benefits in half by 2008 through a scheme called the “programme for a humane working life.” While this speaks of improving working conditions, the main thrust is to make receipt of benefits more difficult. New eligibility criteria have been introduced into the social insurance system. Under one proposal, sick workers would be forced to resubmit to a further medical re-examination after 60 days claiming sick pay. The more right-wing parties such as the Moderates largely dispense with the SAP’s humane rhetoric, attacking government sickness spending as being too generous (workers receive 80 percent of their pay) and for encouraging “laziness”.

Education and health provision also come under the microscope of the OECD and the IMF. The Swedish government is urged to reduce the number of years taken by students to obtain qualifications and to limit the duration for which they receive financial assistance, and to require students to pay for part of their tuition fees. Proposed individual learning accounts are rejected by the OECD as “another example of a policy that would take people away from their work ... for what may be uncertain economic returns on the additional investment in their human capital.”

In the area of healthcare, the OECD wants to see the extension of the already existing policy of using internal and external markets, with the aim of identifying the “scope for additional use of private sector alternatives.” Nor are the elderly to be spared from austerity measures, as “the increasing proportion of elderly in coming years will put resources under pressure ... Public funding allocated to this sector will need to be weighed against the costs and benefits of meeting other public priorities instead, especially given the well-established tendency towards ever-increasing demand for health services when the patient bears virtually none of the cost.” In other words, unless the infirm elderly are able to meet an ever-greater proportion of the costs of treatment themselves they will be faced with a greatly diminished service.

Sweden still has one of Europe’s more generous arrangements for paid leave for parents and benefits to alleviate the financial costs of bringing up a family. Naturally, this is also to be targeted. Under the heading “Could Greater Value for Money be Achieved from Public Spending?”, the OECD chastise the government for recently extending parental leave claiming that “prolonged leave, as well as having fiscal consequences, can lead to skills loss and lower labour supply.”

While for most of the post-war era Sweden was hailed as a shining example of “good capitalism”, a *folkhemmet*, (people’s home) praised for its egalitarianism, from the start of the 1990s fundamental economic changes have transformed Sweden’s social and political physiognomy. In 1990 Sweden entered into a recession that lasted until the middle of the decade. Problems faced by Swedish capital in competing on a global stage were compounded by the collapsing Soviet economy with which Sweden had developed significant links. The economic crisis saw unemployment triple to 14 percent and GDP fall by 6 percent between 1991 and 1993. Youth, immigrants and single parents were worst hit, bearing the brunt of cutbacks in employment and welfare.

The 1994 victory of the Social Democrats over the previous Conservative Moderate-led Bildt administration saw the government deepen public spending cuts at the behest of Swedish capital, ably assisted by their partners in the trade union confederation (the LO). Aiming to improve competitiveness on the world economic stage by curtailing measures of social redistribution, the government launched attacks on welfare, including pensions, health insurance and child allowances.

While the economic upturn of the late 1990s resulted in some limited reversals of the attacks on welfare provision, alterations to the national economy mean that the social model of the post-war period has been dealt a deathblow. Sweden’s generous social provision was made possible by the existence of several globally significant companies recycling profits through the Swedish economy. However, in the last decade, many of the most notable of these—Volvo, Saab, Ericsson, ABB—have either merged or been bought out by foreign based companies, or have emerged as global players in their own right. Either way, the drive by Swedish capital to survive in the global economy has destroyed the national economic basis that funded previous high levels of social expenditure. Yet still the OECD warns that “the profit share continues to decline and is now lower than at its previous trough in 1990, suggesting that more vigorous productivity growth or lower wage inflation will be needed in order to substantially align the increases in the business sector’s costs and revenues.”

In addition to this, Sweden’s 1995 entry into the European Union has necessitated major cutbacks in public spending in order to meet entry criteria.

The OECD makes plain that whichever party goes on to form a government after September 15 must press ahead with the budget cutting agenda of big business: “Although many reforms to public services have been made since the budgetary crisis in the early 1990s, further reforms are needed both to improve the remaining weak spots and to continue pursuing performance enhancement and greater efficiency across the board.”