

THE UNIVERSAL WELFARE STATE - THEORY AND THE CASE OF SWEDEN

ANDREAS BERGH - UNFINISHED VERSION

Abstract. This paper analyzes the concept of the universal welfare state and the possibility to evaluate universality of actual welfare states over time. We find that evaluation requires that the concept is made more precise, and propose a distinction between income universality and group universality. We also separate universality of benefits from size of benefits, point to the distinction between policy intentions and policy outcome, and show that for a number of welfare programs the relevant benefit may well be abstract rather than monetary. The theoretical discussion is applied to the case of Sweden during the 90s in an attempt to investigate if the Swedish welfare state has become more or less universal during the economic crisis of this decade. The results reveal no significant trend in universality as defined in this paper: We find that the Swedish welfare state do have some deviations from the simplest theoretical models of the universal welfare state, but these deviations have not grown more significant during the 90s.

Date: Aug 2002.

Key words and phrases. Distributive Justice, universal welfare state, redistribution, equality.

1. Introduction

The future of the universal welfare state has been a popular research topic for a period of time, and it has also been the subject of some political debate. Yet, the universal welfare state is not a well-defined theoretical concept, and it is not clear how universality should be evaluated over time or across countries. This paper seeks to sharpen the definition of universality when used as a characteristic of different types of welfare states. The task set out is to define universality precisely enough to allow for evaluation of actual welfare states over time, thus answering the question if a particular welfare state has become more or less universal over time.

Seeking to obtain a precise definition of the universal welfare state, we review the literature on welfare state typologies and focus especially on the contributions dealing with the universal welfare state. A number of authors have pointed to Sweden as an example of the universal welfare state model in practice. For this reason we examine the Swedish system and identify the deviations from the theoretical models. By doing so we can identify indicators of universality that can be examined over time, indicating if universality in Sweden seems to be increasing or decreasing.

The 90s is an era of particular interest in this context: The research that pointed to Sweden as an example of the universal model in practice was carried out before or even during the economic crisis of this decade, a crisis that struck Sweden with an impact considerably larger than in many other countries.

Another reason for examining possible trends in universality is provided by the so called paradox of redistribution, according to which the degree of universality is positively correlated with the possibilities for poverty relief and income redistribution.¹ Given that this correlation holds, decreasing universality can be interpreted as a warning light for those who want to preserve the political support for a large welfare state. In this particular paper, we do not deal with the paradox of redistribution per se, nor do we assume that the biggest welfare state for which political support can be sustained is the desirable one. The goal here is to construct a theoretically coherent and applicable definition of universality, and apply it to Sweden during the 90s.

The paper proceeds as follows: In section two, we review and analyze the literature on welfare state typologies in general and the universal model in particular in order to stipulate a definition of universality. In section three we compare the Swedish situation to the theoretical models of the universal welfare state, and identify the deviations from universality. In section four we propose a number of indicators, based on the deviations discovered in section three, and examine how these indicators have changed during the 90s. Section five concludes the paper.

¹See Korpi and Palme (1998). The different mechanisms through which the paradox of redistribution works is examined by Bergh (2002c).

2. The universal welfare state

There is a substantial degree of confusion regarding the appropriate label for the welfare state examined in this paper. Other terms that are used are socialdemocratic, institutional, comprehensive, encompassing and scandinavian. In the literature, these terms are used to describe roughly the same thing. Rothstein (1998) points out that universal and institutional welfare states are the same thing, Sainsbury (1991) notes the equivalence between institutional and comprehensive, and Stephens (1996) notes the equivalence between social democratic and institutional.

Here, the term universal rather than any other is used simply because universality is in fact a characteristic of the welfare programs that dominate in this type of welfare state. Other labels are harder to interpret or send thoughts in very specific directions: The two terms socialdemocratic and scandinavian are based on party politics and geography respectively. However obvious this may seem from a historical point of view, there are no obvious theoretical arguments for why this type of welfare state is more socialdemocratic than, say, liberal; or more scandinavian than, say, north-american.² In this paper we use the term universal welfare state (UWS), but when referring to other sources, we keep the originally used label.

2.1. A literature review. The literature review that follows focus on recent research where the concept of the UWS is studied or at least implicitly defined. The contributions covered are Titmuss (1974), Esping-Andersen (1990), Sainsbury (1991), Stephens (1996), Korpi and Palme (1998), and Rothstein (1998, 2001).

The classification of different types of welfare states has been a big research topic for social scientists at least since the work by Titmuss (1974). Titmuss (p. 23 ff.) made a distinction between three ideal types of welfare state: the marginal (typical for the Anglo-Saxon countries), industrial achievement (typical for the Central European countries), and institutional models (typical for the United Kingdom and the Scandinavian countries). Titmuss's institutional model (sometimes referred to as the 'institutional-redistributive' model) combines the principles of comprehensive social provision with egalitarianism, and guarantees benefits to all citizens or residents. Thus, in this model the welfare state provides a set of welfare services and benefits that everybody enjoys on an equal basis.

The current standard reference is Esping-Andersen (1990), who identifies three different models, similar to those identified by Titmuss: The corporatist, the liberal and the socialdemocratic welfare state. Sweden, it is said, is an example of the last model. The features of the model are described as follows:

”[...] a mix of highly de-commodifying and universalistic programs
 [...] manual workers come to enjoy rights identical to those of

²For example, the liberal party in Canada could reasonably be said to advocate this type of welfare state.

salaried white-collar employees [...] all strata are incorporated under one universal insurance system, yet benefits are graduated according to accustomed earnings [...] All benefit; all are dependent; and will presumably feel obliged to pay.”³ (p. 27f)

The Esping-Andersen study is the basis for the main part of modern research on welfare state typologies. For an example and a discussion of welfare state comparisons, see Cochrane and Clarke (1993).

Sainsbury (1991) compares the universal model to the residual model in ten dimensions as follows:

Dimension	Residual model	Universal model
Social purposes' share of national income	Low	High
Level of benefits	Meagre	Adequate
Range of statutory services and benefits	Limited	Extensive
Population covered	Minority	Majority
Importance of programs preventing needs	Non-existent	Substantial
Dominant type of program	Selective	Universal
Role of private organizations	Large	Small
Ideology of state intervention	Minimal	Optimal
Need-based distribution as a value	Marginal	Secondary
Type of financing	Contributions/fees	Taxation

As we can see, the universal model is more precisely defined in some dimensions than in other: a high income share devoted to social purposes as opposed to a low income share, and "adequate" rather than "meagre" benefit levels, are examples of qualitative descriptions rather than precise definitions. Note also the somewhat circular definition of the universal model as a model where the dominant programs are universal.

Stephens (1996) notes that

"[...] the institutional model combines citizenship benefits equal for all citizens with income security for the working population in cases of temporary (illness, unemployment) or permanent (retirement, work injury) interruption of work." (p. 34)

Stephens also states that

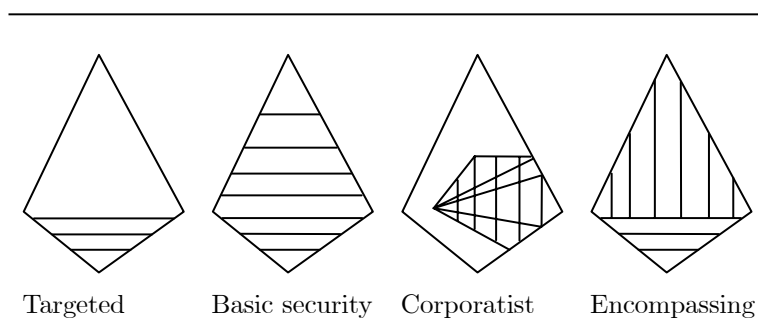
"[b]road, usually universal, coverage, high income replacement rates, the scope of citizenship rights, and service intensity are four of the basic institutional parameters of the Scandinavian welfare states.

³The sociological term de-commodification refers to the degree to which individuals or households can uphold a socially acceptable standard of living independently of market participation.

[...] Additional dimensions are liberal qualifying conditions for benefits”

Stephens definition is very similar to the encompassing model described by Korpi and Palme (1998), who describe five ideal-typical models of ”social insurance institutions”: Targeted, corporatist, basic security, voluntary state subsidized and encompassing . These are illustrated using graphical conceptual models; four examples are given below.

Four ideal types for the organization of social security



Adapted from Korpi & Palme (1998). The four-sided illustrations represent the social structure of society; The vertical distance represents different incomes (with low income earners at the bottom), and the horizontal distance represents a cross-section of the population at different income levels. Horizontal lines indicate flat-rate (basic) benefits, vertical lines indicate income-related benefits. Angled lines in the corporatist model indicate insurance programs organized separately for different occupational categories. Finally, white areas represent uncovered population.

The encompassing model uses both flat rate benefits and earningsrelated social insurance to cover the whole population.

Korpi and Palme agree that the redistributive effect differs systematically between the different models, and that the encompassing model is the most redistributive. This is known as the paradox of redistribution because of the somewhat counterintuitive finding that the system in which middle and high income earners are equally entitled to benefits, is the system where low income earners in some sense gain the most. This result is examined more closely in Bergh (2002c).

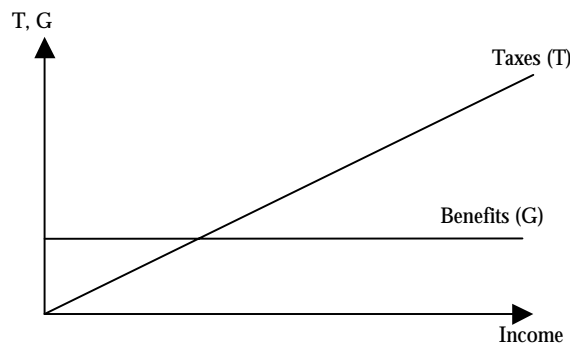
In a book subtitled ”The moral and political logic of the universal welfare state”, Rothstein (1998) cites Sainsbury (1996, p. 19) and Stephens (1996, p. 34) in order to divide the universal welfare policy of Sweden into three parts:

- (1) Publicly produced, universally available services (Health care, education, care of children and of elderly)
- (2) A system of universal flatrate benefits tied to citizenship (Basic pension, child allowance)
- (3) Mandatory social insurance (Earningsrelated pensions, sickness pay, parental insurance)

The second and third part correspond to the horisontal and the vertical lines in the graphical models used by Kopri and Palme.

Rothstein (2001) restates the paradox of distribution by noting that "it is states that tax everyone 'the same' and give everyone 'the same' that best redistribute income" (quotation signs in original text). This refers to a simplified model of the universal welfare state, where proportional taxes finance universal benefit programs. Rothstein defines universal programs as programs that cover the entire population without consideration of ability to pay. He also states that universal benefits and services are characterized by the fact that individuals independently of their income "receive on average the same sum in the form of cash benefits or subsidized public services." (p. 219, italics in original text). The same view is present in Rothstein (1998, p. 147) where the redistributive mechanisms of the universal welfare state is illustrated with a numerical example, corresponding to the proportional taxes and flat rate benefits model depicted in figure XX:

**The proportional taxes, flat rate benefits (PTFB)
model of the universal welfare state**



Rothstein emphasizes the fact that the setup with flatrate benefits and proportional taxation has a large redistributive effect, despite the lack of progressive taxation.⁴ According to Rothstein (2001) Sweden and a few other countries can be labelled universal welfare states:

⁴Rothstein (2001), p. 218.

Speaking from an institutionalist perspective, what best characterizes the Swedish and the other Scandinavian (and some other North European) welfare states, is most programs are universal, not selective. This means that social programs such as old-age pensions, health care, child care, education, child allowances, and health insurance, are not targeted to "the poor" but instead cover the entire population without consideration of their ability to pay. (p. 218).

2.2. Analysis of the literature. The sources reviewed in the previous section illustrate that the concept of the UWS is fairly precise, but not precise enough for policy evaluation. In this section we propose a distinction between two types of universality, based on the substantial amount of agreement regarding the rough meaning of the concept.

Both Esping-Andersen and Sainsbury use the somewhat circular argument that universal welfare states have universal welfare programs. This is actually a useful clarification, because it implicitly tells us that universality is primarily a characteristic of welfare programs. Thus, a welfare state can consist of several different programs with varying degrees of universality.

It is clear from the literature that universality is about granting everybody in the society considered, the citizens of the welfare state, certain benefits independently of certain characteristics of the citizens. This means that there are several different types of universality, because benefits may be granted independently of several dimensions. There is some confusion between universal and meanstested programs. Some might say that universal programs are the opposite of meanstested or selective programs. But this issue is slightly more complicated. For example, publicly funded hospitals does not provide hospital care to everyone, only to those who need it. Thus the service is provided on selective basis. Does this render hospital care less universal? The answer depends on how the benefit is defined. In this case it is reasonable to argue that the relevant benefit is access to health care, not the health care itself.⁵

It is also obvious that some dimensions are considered to be more important than others. For example, all authors agree that including more population groups in the mandatory programs increases universality, but only Sainsbury and Stephens include the level of benefits in the conception of universality.

⁵The Swedish law actually states that the purpose of publicly funded health care is to provide equality of access - see Steen Carlsson and Lyttkens (1999).

The most important independence is without doubt that benefits are granted independently of individual income or ability to pay.⁶ This type of universality we shall call income universality.

Another important aspect is obviously that benefits are granted independently of characteristics like occupation, sex or whether the individual works or not. Such independence of other characteristics than income is evidently also very important, and will be called group universality.

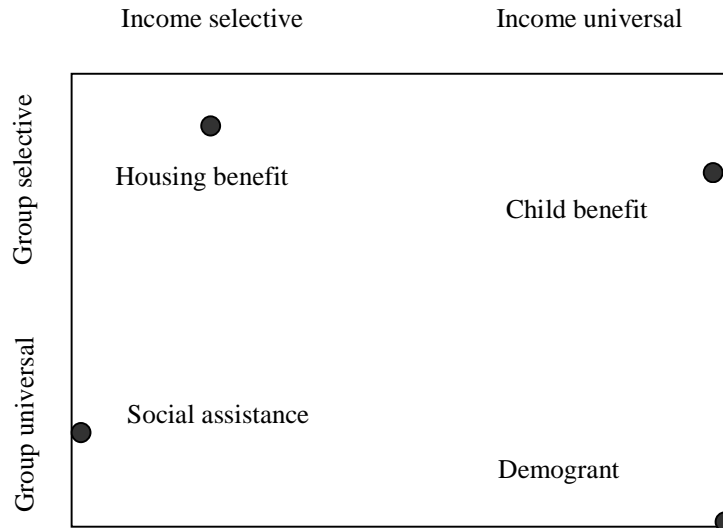
The distinction between income universality and group universality distinction relates neatly to the two dimensional conceptual illustrations used by Korpi and Palme, where universality can be limited in two ways: By excluding certain incomes and by excluding certain groups from benefits.

The two dimensions income universality (when the benefit is income independent for everyone entitled to it) and group universality (when the group entitled to the benefit is all citizens with no exclusions) provide a framework for analyzing the components of the welfare state, examples are given in the table below.⁷

⁶When Rothstein simplifies the concept into one dimension only, he chooses income as this dimension. He indicates that the provision of welfare benefits to people regardless of their income is an important feature of the UWS.

⁷The concepts of group universality and income universality can also be used to analyze specific policies and policy changes. For example, a public investigation (SOU 2001:24) proposed that the housing benefit to families with children be replaced with income independent support to single parents and student households with children. Does this change increase or decrease universality? The answer is that it increases income universality and decreases group universality.

Classifying welfare programs according
to two types of universality



The child benefit is group selective (only families with children under 18 are eligible) but income universal (all families receive the benefit regardless of the parent(s) income). The housing allowance is income tested and only some families are eligible. The social assistance is income tested, but all citizens are at least partly entitled. Finally, the demogrant is both income universal and group universal.

A number of authors defines universality both in terms of benefit size and in terms of benefit coverage. This causes problems for comparisons between countries or over time: Which is more universal *ceteris paribus*; a country where a certain benefit program covers all citizens but at a very low level, or a country where the benefit level is substantially higher but for some reason only covers two thirds of the population? This illustrates the problems that occur when too many dimensions are included in one concept. We solve this problem by discriminating universality of benefits from the size of benefits. By doing this, universality is used as a characteristic of benefits with high coverage, independently of the benefit level.

Note also that it is not always clear what the relevant benefit for different welfare programs is. For some programs, the primary purpose is obvious, and for other programs the primary purpose is actually a matter of political disagreement. Ideally, we would want to evaluate each program against what it was designed to do, but

this is made very complicated if the actual purpose of the program is highly disputable. When there is political disagreement on what the program should deliver, universality cannot be evaluated without taking a political standpoint.

Rothsteins definition of universal welfare programs as programs where "all individuals receive on average the same sum in the form of cash benefits and/or subsidized public services" is clearly too narrow when benefits may be abstractly defined, such as income security or access to health care. Other programs serve to provide in-kind benefits, the value of which are problematic to obtain, such as public employment or food stamps. If the relevant benefit is access, individual willingness to pay is hard to obtain.

Finally, we must ask if universality is a characteristic of policy intentions or policy outcome, especially if universality is evaluated over time. The distinction is important, because the two do not necessarily move in the same direction. For example, more generous qualifying rules for social insurance may indicate policy intentions towards increasing universality. But if this policy measure is introduced just before a recession, the outcome may still be decreased coverage of social insurance, if the policy measure was not enough to offset the negative economic circumstances.

Where does all this leave us? Clearly, evaluating existing welfare states against the theoretical concept of the UWS involves a number of methodological issues. Calculating the actual distribution of taxes and benefits and comparing the results with the simplified proportional taxes flat rate benefits model is an obvious possibility. But even if public consumption is excluded from this analysis, this method is flawed for at least two reasons. First of all it implicitly assumes that the relevant benefit for all monetary transfers is money. This is not necessarily so, for example the primary purpose of social security is income security rather than monetary redistribution. Secondly, this method only gives a picture of income universality.

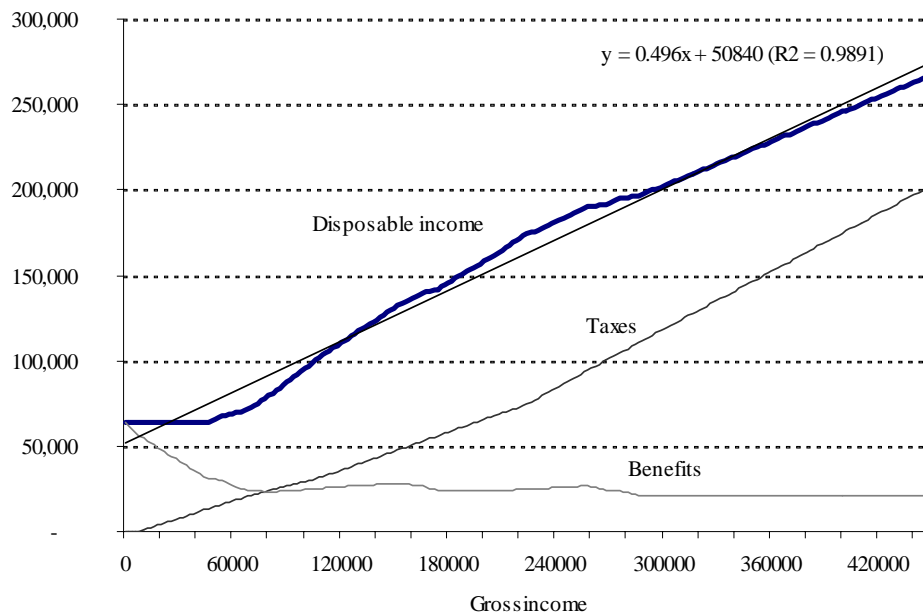
Keeping these two points in mind, the PTFB-model is still a good analytical starting point. By discussing the causes of the deviations from this simplified model, this approach can help generate other indicators of universality that can be examined over time.

3. The case of Sweden

A number of authors, including Rothstein (1998), Stephens (1996), Cochrane and Clarke (1993) and to a lesser extent Sainsbury (1991), point to Sweden as a prominent example of a universal welfare state. Obviously, this does not mean we should expect a perfect fit between the theoretical models and the actual situation in Sweden. One way to evaluate universality and identify the nonuniversal components is to compare the actual situation in Sweden to the simplified model with proportional taxes and basic benefits described by Rothstein. In doing this, we will first focus on the pecuniary redistribution caused by taxes and transfers, and then turn to the effect of public consumption.

3.1. Taxes and transfers. The Swedish system of taxes and transfers in 1995 is illustrated in figure XX. The underlying calculations, mainly rule based, are described in appendix A. The monetary redistribution of the welfare state can be described by a net tax curve, that can be approximated as an affine tax schedule.

Linearizing monetary redistribution in Sweden



We see that described this way, Sweden is indeed fairly close to the simplified proportional taxes, flat rate benefits model. An affine net tax curve with an intercept at approximately 50 kkr and a marginal effect at 0.5 seems to be a good

approximation of the Swedish system. These parameters are almost identical to those obtained in Roemer et al. (Forthcoming in Journal of public economics).⁸

The affine approximation of the Swedish system however excludes some relevant features. Roemer et al. points out that the fit is good and that very little is gained by moving from affine to quadratic schemes. However, looking at the curve in figure ?? it is obvious that this was not to be expected - we would need a polynomial of third degree at the very least. One must bear in mind that the deviations from affinity stem from explicit policy choices. The lower horizontal part of the net tax curve is a result of Sweden choosing traditional mean-tested welfare rather than low wage subsidies or negative income tax systems as the main method to support the poorest. The upper kink in the curve is partly due to progressivity in the income taxation, and partly a result of the income-related social insurance schemes having upper benefit limits. As a consequence, the net tax curve has roughly three segments with different slopes, where the slope can be interpreted as an implicit marginal effect.

The three segmented net tax curve is a result of some non-universal subsystems in the Swedish system. These are:

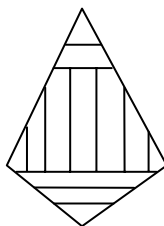
- The construction of the Swedish social assistance⁹ combined with fairly high taxation of low incomes raises the implicit marginal effect for welfare recipients. (The implicit marginal effect is actually above 100 percent, see appendix B.)
- Income tax is paid to the state only if income exceeds a certain threshold.
- Benefits from the social security system (including the pension system) has an upper limit above which incomes are not covered. This upper limit is located slightly above the threshold for state income tax, and thus people who exceed this limit pay more taxes to the state, and receive less from social insurance.¹⁰

The upper limits in the social insurance systems causes an obvious deviation from the conceptual models in Korpi and Palme: For people with income above the upper limit, the benefit is no income insurance but rather acts as a flat rate benefit at a high level. The situation can be illustrated by modifying the conceptual illustration as shown in figure XX:

⁸Their values are a marginal tax at 0.52 and an intercept at 47 kkr. Note that the marginal tax is $(1 - k)$ when the affine equation is $y = kx + m$ where y is gross and x is net income.

⁹The US-term would be welfare. In Sweden, this is commonly referred to as "socialbidrag".

¹⁰The upper limit in social security is indexed (7.5 basic amounts, 1 b.a. \approx 36000 SEK, 1 \$ = 14 SEK), whereas the limit where income tax must be paid to the state is decided by the government from year to year. For 2000 it was 254 600.



Sweden

3.2. Public consumption. Public consumption include publicly provided services such as health care, child care, education and care for elderly. It also includes public goods such as defence, infrastructure and possibly spending on culture and religion.

A possible approach is of course to study the extent to which different types of public consumption is used by people in different income intervals, and treat the use of public consumption for a certain amount as a pecuniary benefit. This approach is connected with several caveats, such as the lack of market prices, lack of data on usage and the implicit assumption that education that cost the government x dollars is equivalent to a cash transfer of x dollars from the individual's point of view.

The evidence on the redistributive effect of public consumption is mixed. Sinfield (1978) and Le Grand (1982) argue that public consumption weaken the redistributive effect, while Saunders (1991) argues the opposite. We will not go into the specific details here, because the complexity of the issue actually illustrate one of the main points in this paper, namely that a number of welfare programs do not serve mainly as income redistributive devices, and therefore it is both hard and arguably pointless to evaluate them from and redistributive perspective.

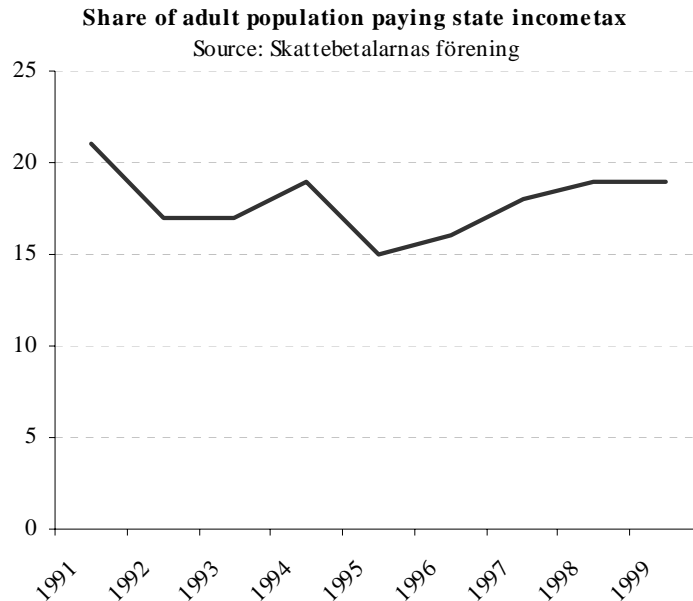
3.3. Indicators of universality. We have identified some possible deviations from universality in Sweden: The targeted welfare benefits, the non-coverage of social income insurance for low and high incomes and the progressive state income tax. We will discuss each of these in more detail and show how these indicators have changed during the 90s, and we will discuss both policy outcome and policy intentions.

3.3.1. The share of adults paying incometax to the state¹¹.

- Under which circumstances is this an indicator of universality? The program in question is of course the tax system, and the purpose of the tax system is highly disputed. As long as the universal model is described as a model in which proportional taxes finance basic benefits, than progressive taxes is a deviation from universality. If the purpose of the personal income

¹¹Data for this indicator was kindly provided by Martin Karlsson at the Swedish taxpayers association.

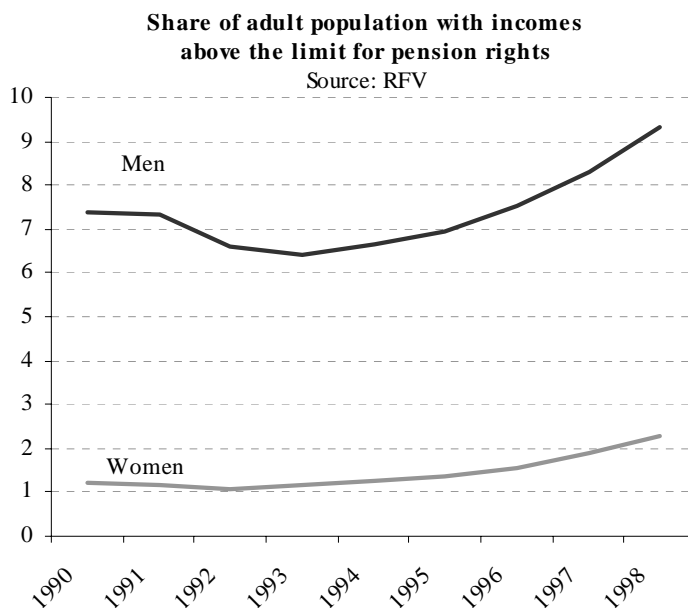
tax is to increase income equality, progressive taxes may be justified. However, this can not be classified as a sign of universality, because the personal income tax can increase income equality only by taxing people differently in both absolute and relative terms.



We can see that there is no obvious trend in this indicator during the 90s. A tax reform in 1990 and 1991 took Sweden much closer to a proportional tax system, and after this reform most people pay (the almost exactly proportional) income tax only to municipalities income tax. Therefore, proportional taxes continues to be a good approximation of the swedish tax system, and there is no sign of decreasing univerality in this indicator.

3.3.2. The share of persons with PGI higher than the maximum benefit.¹² If the state should provide income security for everyone, the share of persons with PGI higher than the upper limit is a sign of decreasing universality. More people above this limit mean more people excluded from the income security benefit. This limit is the same in both the sickenss insurance and in the pension system, and thus this probably should be considered to be an important indicator.

¹²Data for this indicator was provided subject to availability by Anna Westerberg at national board of insurance (RFV).



Here we see a clear rising trend. Sadly enough, more recent data are currently not available. However, for the income securing social insurance systems, there seems to be a case for arguing that universality decreased during the second half of the 90s. This means that it was not the economic crisis of the early 90s, but rather the subsequent upturn that had an adverse effect on universality.

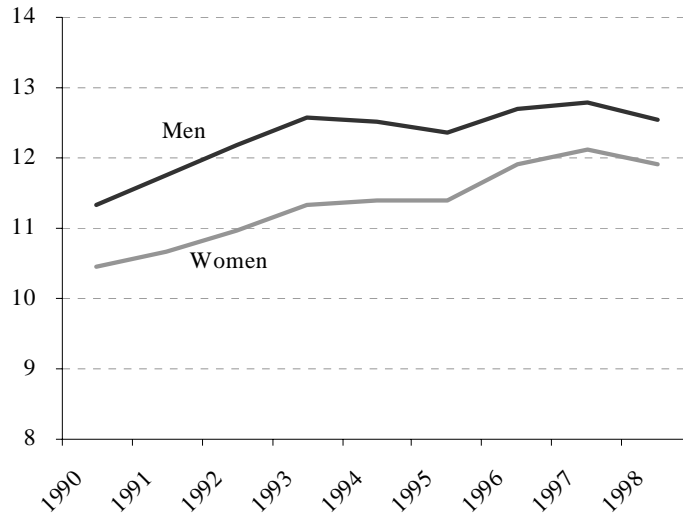
From 1999 and onwards, the increasing trend should be much weaker. The reason is that the index that determines the upper limit is now income based, rather than (as before) price based. The previous construction resulted in real wage growth pushing more individuals above the limit, resulting in decreasing coverage - see RFV (1999). With an income based index, this effect is much weaker.

3.3.3. The share of persons with PGI=0.¹³ If the state should provide income related pension rights to everyone, even if their connection to the labor market is very weak, a more people with no PGI is an indication of decreasing universality. Low and sporadic incomes does not increase pension rights, and the share of persons with PGI=0 says something about how many are excluded from the pensionsystem for this reason. However, the major determinant is of course the state of the market, but unemployment benefits are included in PGI, and thus a universal welfare state should in theory pass through an economic downturn without a significant increase in the number of persons with PGI=0.

¹³Data for this indicator was provided subject to availability by Anna Westerberg at national board of insurance (RFV).

**Share of population with insufficient
income for pension rights**

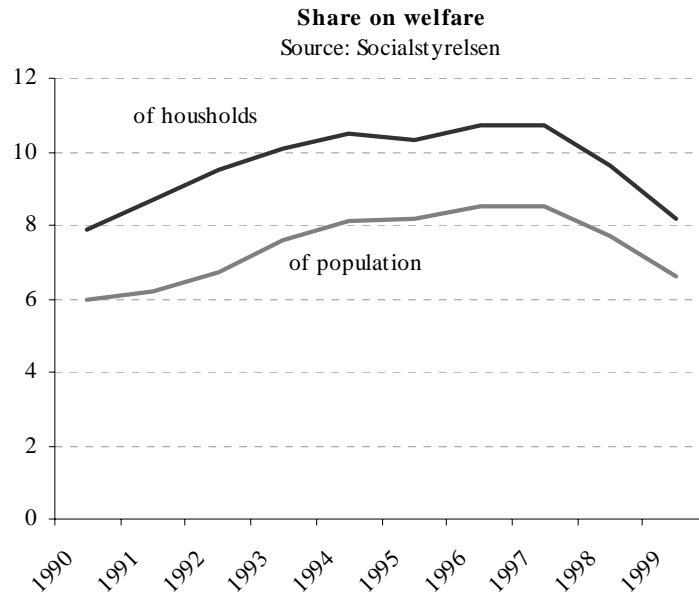
Source: RFV



As we can see, this was not the case for Sweden: The indicator rose during the downturn in 1996 and 1997, and during the early crisis, and fell back during the economic upturns.

It is important to note that the concept of PGI was abolished with the introduction of a new pension system, which considerably lowered the lower threshold for incomes to yield pensions rights (from one basic amount to the basic deduction, which in 1998 meant from 37 100 to 8 700). Although the new pension system increased universality by including more low income earners, the trend in PGI still shows that the income related unemployment benefit could not prevent an increase in the number of people with incomes below one basic amount.

3.3.4. The share of the population on welfare. A higher share of the population on welfare means higher reliance on income-selective benefits. The trend for this indicator was increasing except for the last years of the 90's.



Note how this share mirrors the share of persons for which PGI=0. This illustrates how people during the economic recession left the income securing social insurance systems and ended up on welfare. The indicator falls rapidly when the economic situation improves.

3.3.5. The number of households receiving housing allowance (bostadsbidrag). Bigger share means bigger reliance on income-selective benefits.



The *bostadsbidrag*, the other income tested benefit among our indicators actually follow the same pattern as the *socialbidrag*, the difference being that the trend reversed two years earlier, in 1995. This also reflects some explicit policy decisions aiming at decreasing the use of this benefit.

The threats to universality seems to be concentrated to the social insurance schemes.

3.4. Policy analysis. In this section we take a brief look at policy intentions. Marklund (1997) classify changes in the social insurance programs administered by the National board of insurance as expansionary and contractive respectively, and show that during the period 1968 to 1996, the number of contractive policy changes exceeded the number of expansive only in 1973, 1993, 1995 and 1996. Thus, the economic crisis of the 90s seems to have triggered contractive policy measures in order to dampen public expenditures. Given our distinction between benefit size and benefit coverage, this does not tell us anything about the degree of universality in terms of income coverage and group coverage.

Examining the same data as Marklund, completed with the years 1997 to 1999 reveals no trend in universality: For each year it is possible to find policy changes towards both increasing and decreasing universality. We have medvetet refrained from the count-method used by Marklund, because it does not weigh each change according to its size in terms of money or people affected.

Changes that lead to larger population groups or bigger income intervals being covered by existing programmes are counted as beneficial for universality. Examples include more generous qualification rules, more diagnosis included when subsidizing health care or sick leave, less income testing of benefits. Expansionary policy measures need not always be beneficial for universality. For example, if the qualification rules unemployment insurance are made more restrictive, universality decreases. However, if the replacement rate rises, total expenditure may still increase.

Year Examples of increased universality

1990	More incomes valid for sickness pay
1991	Some selective tax deductions abolished
1992	More general insurance against workinjuries
1993	More general rules for PGI
1994	mandatory unemployment insurance introduced
1995	-
1996	Income tested housing benefit abolished for some households
1997	More general rules for granting early retirement
1998	More general unemployment insurance
1999	New pension system covering more low incomes

Examples of decreased universality

1990	More incometested support for poor pensioners
1991	more selective pensionsupplement
1992	special benefit for single parents
1993	reduced health care fees for some early retired
1994	Continued use of income tested housing benefit for retired)
1995	mandatory unemployment insurance abolished
1996	-
1997	Income tested wage tax reduction introduced
1998	Some selective labormarket programs introduced
1999	-

4. Summary and conclusions

We have shown that in order to carry out a meaningful evaluation of universality, three important issues must be adressed. First of all, one must decide upon which is the relevant benefit the distribution and provision of which is to be studied. Secondly, one must decide whether to focus on policy intentions or policy outcome or both. Finally, discriminating between income universality and group universality will be helpful.

Applying this analysis to the case of Sweden, we have discussed various ways of interpreting the relevant benefits of the components in the Swedish welfare state, we examined both policy intentions and policy outcome, and considered both group universality and income universality. We have not found any evidence that universality is neither increasing nor decreasing in Sweden. However, the Swedish welfare state is far from completely universal. Returning to Rothstein's definition of universal welfare programs, it is true that most programs in Sweden are not targeted to "the poor". However, nor do they cover the entire population regardless of ability to pay. Income related user fees, qualifying rules and upper limits in the social insurance systems provide some basis for provocatively saying that the big programs are very often targeted to the middle-class, more or less excluding both low and high incomes. Selective programs exist for low income earners, while high income earners are free to enrol in corporatist or pure market solutions in order to enjoy full income insurance.

References

- Cochrane, A. & Clarke, J. (1993), *Comparing Welfare States*, The Open University, Walton Hall.
- Esping-Andersen, G. (1990), *The Three Worlds of Welfare Capitalism*, Princeton University Press, Princeton.
- Korpi, W. & Palme, J. (1998), 'The paradox of redistribution and strategies of equality: Welfare state institutions, inequality, and poverty in the western countries', *American Sociological Review* 63, 661–687.
- Le Grand, J. (1982), *The Strategy of Equality. Redistribution and the Social Services*, Allen and Unwin, London.
- Marklund, S. (1997), 'Svensk socialpolitik i förändring'. In SCB, *Välfärd och ojämlikhet i ett 20-års perspektiv 1975-1995, Levnadsförhållanden, Rapport 91*.
- RFV (1999), *Socialförsäkringsboken 1999*, Riksförsäkringsverket, Stockholm.
- Rothstein, B. (1998), *Just Institutions Matter*, Cambridge University Press.
- Rothstein, B. (2001), 'The universal welfare state as a social dilemma', *Rationality and Society* 13:2, 213–233.
- Sainsbury, D. (1991), 'Analysing welfare state variations: The merits and limitations of models based on the residual-institutional distinction', *Scandinavian Political Studies* 14, 1–30.
- Sainsbury, D. (1996), *Gender Equality and the Welfare State*, Cambridge University Press, Cambridge.
- Saunders, P. (1991), 'Noncash income and relative poverty in comparative perspective: Evidence for the luxembourg income study'. Paper Delivered at the Conference on Comparative Studies of Welfare State Development, Helsinki, Finland, August 29 - September 1, 1991.
- Sinfield, A. (1978), 'Analyses in the social division of welfare', *Journal of Social Policy* 7(2), 129–156.
- Stephens, J. D. (1996), *The scandinavian welfare states: Achievements, crisis, and prospects*, in G. Esping-Andersen, ed., 'Welfare States in Transition', SAGE publications, chapter 2, pp. 32–65.

5. Appendix - An approximation of the swedish net tax curve

5.1. **Taxation.** The swedish income tax system consists of municipal tax, payed by everyone with income higher than the basic deduction, and state income tax payed by everyone with income above a certain level. In 1995, the basic deduction was 8 900 SEK¹⁴ and state income tax was payed on taxable incomes above 203 900. Average municipal tax was 31.6 percent, and the state income tax was an additional 25 percent. In addition, mandatory insurance fees at 3.95 percent are paid on incomes below 7.5 base amounts.

In addition, the public sector has two major sources of income: the indirect consumption tax (moms) and wagetaxes payed by the employer. The following table contains the major public sector incomes, and these are all included in the study:

Included contributions to public sector incomes

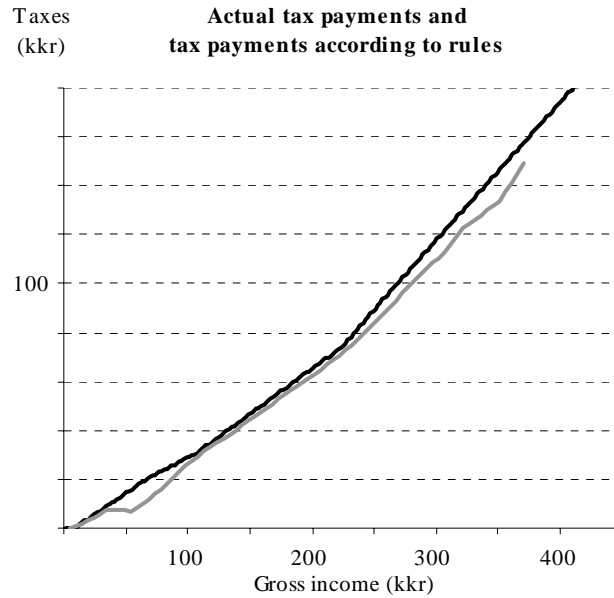
Tax	Income 1995 (Gkr)
Municipal tax (31,5%)	261
State income tax (25%)	85
Mandatory insurance fees (3,95%)	27
Wage taxes (32,86%)	197
Moms (differentiated levels)	116
Other indirect taxes (Energy, housing, alcohol etc.)	120

Source: RRV, SCB

The wage taxes are proportional to the wage sum. The moms and other indirect taxes are harder to approximate, since they depend on behavior. Other studies have ignored any income dependency, and this simplification is followed here: Following Nordling & Damsgaard (1998) the moms is assumed to be proportional and approximately equal to 21,5 percent of disposable income.

Comparing actual tax payments to the calculations made based on the rules in the system (taking into account that the size of the basic deduction varies in certain income intervals), shows that the difference is not to big.

¹⁴For an interval of incomes however, the basic deduction is bigger.



5.2. **Benefits.** Public expenditures in a welfare state like Sweden consist mainly of transfers and public consumption. The table below summarizes major expenditures.¹⁵

Public expenditures 1995 (Gkr)	
Public consumption	426
Transfers to households	394
Transfers to enterprises	100
Public dept payments	116
Investments	49
Other	28
Total public expenditures	1113

We focus on transfers

¹⁵Source: SCB, N10SM9701.

Transfers from social insurance	190	National transfers	170
Income related pension (ATP)	113	Basic pension	72
Unemploymentbenefit	43	Labourmarkettraing	11
Sickness benefit	19	Child allowance	17
Parental insurance	18	Old age housingbenefit	10
Local transfers	34	Studiebidrag	9
Socialbidrag	12	Bostadsbidrag	9
Other local transfers	22	Arbetsskadeförsäkring	6
		Other national transfers	36

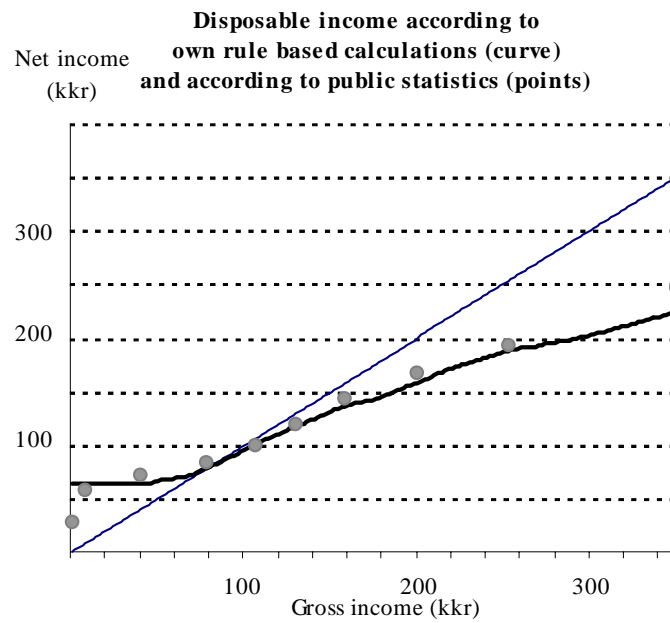
The distributional effect of transfers is approximated through publicly available statistics from Statistics Sweden (SCB) and National board of insurance (RFV).¹⁶ The payments from different transfers to households with different incomes is approximated from data from SCB Be9701, table 29. The distributional effect of the public pension scheme uses data from Ståhlberg (1988). Calculations of payments from the sickness benefit is shown in the paper, and payments from the parental insurance is done the same way, using data from RFV, "Socialförsäkring 1993 och 1994", table 3:4b, 3:5b. For social assistance, assumption on living expenses (rent) are made so that payment to a single individual equals 5 300 SEK.

All these approximations can be defended by emphasizing that we are looking for a qualitative rather than quantitative result. Nevertheless, it is possible to evaluate the accuracy of all assumptions, by comparing our approximated data with data on actual disposable income for deciles.¹⁷ This is shown in the table below:

¹⁶The payments from different transfers to households with different incomes is approximated from data from SCB Be9701, table 29.

The distributional effect of the public pension scheme uses data from Ståhlberg (1988). Calculations of payments from the sickness benefit is shown in the paper, and payments from the parental insurance is done the same way, using data from RFV, "Socialförsäkring 1993 och 1994", table 3:4b, 3:5b. For social assistance, assumption on living expenses (rent) are made so that payment to a single individual equals 5 300 SEK.

¹⁷SCB, Be21 SM9701, table 30 & 31.



We see that the approximation is adequate for deciles 2 to 9. This is expected, since the extreme deciles are subject to circumstances that do not show up in statistics.¹⁸

¹⁸For the lowest decile people may be entitled to social assistance that they do not apply for, or live on hidden savings. For the top decile tax evasion and other incomes may increase disposable income above our approximation based on the rules in the tax system.

6. Appendix B

6.1. **The implicit marginal effect welfare recipients.** Here follows a proof that $IME > 1$ for welfare recipients. First, define net-tax:

$$T_n = T - G_t - G_c$$

Here, G_t is transfers and G_c is public consumption. EME is defined as the change in net-tax induced by a change in individual income:

$$EME = \frac{dT_n}{di}$$

In Sweden $\frac{dT}{di} = t_i + t_a$ where t_i is income tax and t_a is wage tax (payed by the employer). $\frac{dG_t}{di} = -(1 - t_i)$ because the benefit (socialbidrag) is reduced by an amount equal to the increase in disposable income. Now, it is straight forward to calculate

$$\begin{aligned} \frac{dT_n}{di} &= \frac{dT}{di} + \frac{dG_t}{di} - \frac{dG_c}{di} \\ &= t_i + t_a + (1 - t_i) - \frac{dG_c}{di} \\ &= 1 + t_a - \frac{dG_c}{di}. \end{aligned}$$

If public consumption is pro-poor, income neutral or only slightly pro-rich ($\frac{dG_c}{di} < t_a$) then $\frac{dT_n}{di} > 1$. In Sweden $t_a \approx 0.33$.

Dept. of Economics, P. O. Box 7082, S-220 07 Lund
E-mail address: andreas.bergh@nek.lu.se
URL: <http://www.nek.lu.se/nekabe>