

Swedish Welfare State and Its Industrialization Process, a Lesson for African Countries

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Abstract: The Swedish Welfare State is generally regarded as a champion of social equality in a global sphere. This Swedish model is an invention of the ‘middle way’ between the capitalism and socialism. The history of Swedish welfare state dates back to 1890s, but in 1990s. The Swedish welfare state was restructured because of the impact that stems from the economic crisis of the time followed by the effect of globalization. However, changes that were made in this decade remained limited. This paper is of the view that industrialization was not pursued for its own sake but with focus of tormenting economic backwardness and maintaining greater economic independence. It concluded that through transparent tax system, prudent management of resources and aggressive industrialization as the Swedish welfare state demonstrate was able to stimulate economic growth, raise higher standard of living, banish poverty and create a system of social justice and equality to all its citizens. This paper recommended for African countries to attained level of Development, we must have leaders whose have vision of enhancing productivity, fighting poverty and promoting the welfare of the entire Citizens in their respective countries in particular and African Continent in general.

Keywords: Economic growth, social justice, inclusive governance

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Introduction

A welfare state is considered to be a project of capitalist nation-states which dates back to the 19th and early 20th centuries (Leisering, 2003). It is generally meant” a mixed economy in which the division of responsibility between private sector in the economic sphere and between organization and individuals is intended to secure a fair socially acceptable distribution of income and wealth and the eradication and absence of poverty without jeopardizing economic efficiency and growth in the long run (Glyfason *et al.*, 1997).

Swedish welfare state is a model of economic advancement that becomes the mirror of global economic structure. It is important to note that Sweden did not enter the first and second world war, rather it pursued n policy of neutrality in it foreign affairs so that while the other European Nations were trying to reconstruct their countries after the world war, Sweden could have a different and a better agenda at the time. In 1936, with child's Famous book titled “Sweden: The middle way” was described as a third option between socialism and capitalism. 1960’s were the golden age of Swedish welfare state which is a matter of National

Pride and identity for the Swedes. In 1970's, Sweden became the third richest country in the world. 1980's and 1990's were years of economic crisis for Sweden. Under the pressure of economic crisis, Sweden joined the EU in 1995. Sweden today is one of the leaders of gender equality in the world. One Half of the cabinet and 40 Percent of the Swedish Parliament are women (Gould, 1999). In 1996, only 3 percent of the entire Swedish population was working in the agricultural sector.

Today, Swedish society with its approximately 9 million people is a post-industrial society. According to the 2003 information society index, Sweden is the world leading information technology country and has kept this position for the last four years. In 2004, the United Nations Development Programme (UNDP) ranked Sweden the second best country in terms of average levels of education, income generation and expected length of lifespan.

According to Kerr *et al.*, (1960) in his thesis 'the logic of industrialization' Swedish example, many theories tended to adopt a structural or functional approach to the development of welfare states. In other words, they saw the welfare state as emerging to meet the needs of a society at a certain stage or industrialization. Therefore, there was a shift in Swedish economy from pre-agricultural to industrial based.

As industrialization progresses, wider family ties tended to be broken. Workers therefore demanded that the state and business should share some responsibilities for their maintenance. Arising from these pressures, the Swedish society developed formal programmes or accident compensation, sickness benefits, unemployment insurance and old age pensions for industrial workers etc. In order to understand the Swedish welfare system, we must therefore understand the ideological traditions that formed the policy or social democratic workers party. The state adopted Marxism and Keynesian model or political economy. The tradition of Central Planning was already well established before 1930s.

The state had to borrow heavily abroad during the Swedish industrial process and taken primary responsibility for infrastructural investment: railways, hydroelectric power, etc. Central responsibility for social policy came naturally: the "Bismarckian" way of solving problem of the working class influenced by Swedish thinking. This approach, social reform through state action rather than revolution meant taking responsibility for basic functions and long term economic growth of the country, thereby securing the material wellbeing or working class.

Brief Historical Background

Sweden is a country in northern Europe on the Scandinavian Peninsula. It borders Norway to the west, Finland to the North East, and the Baltic Sea and Gulf of Bothnia to the South and East. Sweden has a long coastline on the eastern side and the Scandinavian mountain chain, a range that separates Sweden from Norway. It has a Maritime borders with Denmark, Germany, Poland, Russia, Lithuania, Latvia and Estonia. At 450,295 Km² (173,860 Sq/mh), Sweden is the 56th largest country in the world (Musa, 2011). It is the fifth largest in Europe and largest in Northern Europe.

Sweden has a population of 10 million people as at January 2017. The mountainous north is considerably less populated than the South and the Central regions, partly because of the summer period lasting longer in the north and this is where the more successful agricultural industries were originally established.

Another historical fact is said to be desired proximity to key trade routes and partners in Continental Europe e.g. Germany. The Swedish national resources include Copper, Gold, Hydro-power, iron-ore, lead, silver, timber, uranium and zinc.

Politics in Sweden takes place in a framework of parliamentary representation and democratic constitutional monarchy, Executive Power is exercised by Government, led by Prime Minister of Sweden. Legislature Power is vested in both the Government and parliament, elected within a multi-party system. The judiciary is independent appointed by Government and employed until retirement. Sweden is a monarchy.

Sweden has a typical western European history of democracy, beginning with the Old Viking age, electing kings, ending with a regular royal power in the 4th Century that was more or less democratic (Elma, 2009). The current democratic regime is a product of a stable development of successive democratic reforms introduced during the 19th century up to 20th century, when woman's suffrage was introduced.

The government of Sweden has strictly adhered to parliamentary system. Since the Great Depression, Swedish National Politics has largely been dominated by social democratic workers party which has held a plurality (and sometimes a majority) in parliament since 1917.

The Role of State in Swedish Welfare Policy and Industrialization

In looking at the Swedish state, it is important to note that government intervention through a deliberate social policy was to stem the tide of income inequality that arise as a result of the shift from subsistence based farming to manufacturing. Few households had sufficient funds to invest in industrial machinery. Instead, the former farmers began to work for the new entrepreneurs, who controlled the capital and investment finances.

This change in the ownership of working capital made it more difficult for the household to fully use his labor resources. In particular, it became difficult to adjust to situations where the external demand for labor diminished and situations where a working household member fell ill. These cases led to income losses that threatened the livelihood of most Swedish families.

Education also became more important as more specialized jobs were created: with more education. it was possible to find better jobs with higher income and more job security. A stronger social protection system was needed, both to provide a livelihood for the sake of the families and to maintain social stability. The widespread poverty that emerged each time demand for labor diminished resulted both in increased crime as well as political protest as organized by the workers.

Therefore the Swedish welfare model was seen as a requirement for the development of the market economy.

However, at that time, most economists believed in a laissez-faire economy, where the state's role was limited to protecting private property rights. Fundamental reforms were thus created in the financial sector, Education sector and social sector.

Among the issues the features in the Swedish reform were the tax system. Pension System. Social insurance scheme and the health care programme as well as the social security system. (Kokko, 2005).

(A) Social Insurance

Overtime, the Swedish welfare state has created two distinct social insurance systems. There is one public insurance system and one negotiated system that is related to labor market participation. Public social insurance covers all residents of the country and provides a safety net in three different areas. The first area is parental insurance and is related to family policy and aims to guarantee a reasonable standard of living for all children.

The social area is public health insurance, where the main aim is to guarantee compensation for the income losses related to sickness.

The benefits include sickness allowances, temporary disability pensions, disability pensions, early retirement pensions and industrial injury compensation.

The objection to age related insurance is to guarantee a minimum standard of living for the elderly (Swedish Statistics, 2005).

(B) Pensions

In 1913, Sweden introduced a flat rate public pension system which guaranteed a small annual monetary benefit to all elderly citizens. This is important in two ways. Firstly, it provided a small but important financial contribution to all households with elderly members. The fact that the pension was not large enough to provide sustainable living was not critical, since it was still common that children cared for their elderly parents.

But since World War II, the pension system has gradually reformed through increases in people pension and the addition of an earning. Related part provided a higher pension to individual whose tax contribution was larger. (Swedish statistics, 2008).

(C) Health Insurance

Health insurance makes up the second largest component in the Swedish social insurance system after retirement pension. Health care cost in principle covered through the general budget. The main function of the present health insurance is to protect against income losses caused by ill health (Hassler and Lindback, 1999). Although the generous health insurance was commendable from social perspective, it turned out to be a very costly insurance form.

During the 1950s, the average number of compensated sick leave days per worker was 10-15 days per year. By the late 1980's, this has increased to over 30 days, in spite of great improvements in job safety and environmental conditions. This contributed to very substantial cost, not only in terms of insurance payments, but also in the form of lost production and lower growth rates.

(D) Swedish Tax System

Sweden has one of the most transparent tax systems. From personal income tax to business tax and to consumption tax such as vat. Many of the program and policies in Sweden such as government sponsored college education, paid parental leave and universal health care and very expensive and necessitate higher taxes. It is instructive to note that Sweden like many Scandinavian Countries raise most of their income from taxes.

Sweden put their income tax rates at 56.4 percent while that of corporate tax is put at 22 percent. So the focus of their taxes is on labor and consumption.

(E) Criticism

That in early 1990s, Sweden was hit by the worse economic slump since the 1930s, with three years of falling output, the rebirth of mass unemployment. A ballooning budget deficit and draconian cuts and rule changes in income benefits and services. These started under a conservative led coalition and continued under the social democrats.

Most critics claim that the welfare state had simply become unsustainable and its cost had sent the budget deficit soaring. Yet shortly before the slump, Sweden still had full employment, a strong welfare state and a hefty budget surplus.

Critics still insisted that pressure from globalization and policy summersault may likely cause a draft on the Swedish economy. The emphasis was on free market, deregulation and privatization. Perhaps as a consequence, the national government has increasingly thrust responsibility for health and social services onto local government. Also a sweeping tax reform is made to favor the rich and cut deep into Government revenues (Balwin, 1990).

Financial deregulation had sparked a wildly speculative real estate boom and a near collapse of the banking system. These policies required an expensive Government bailout. A stubborn, futile and costly defense of overvalued interest rate briefly to 500 percent and helped to turn a recession into depression.

Other areas, critics have also looked at is the current wave of terrorist activities in Sweden. Recently, a Swedish female spoke to fox news correspondent and here is what she says.

(F) Lessons for Africa

Africa can learn practical lessons from the Swedish model, a welfare system but not their ideological leaning. Of course there is a great premium one can place on the way the Swedish organize their state.

Such state driven policy in the area to taxation and income generating could be adopted. The welfare policy is caring for the elderly, education support, pension and insurance is an important lesson to be learnt. But before then Africa must grapple with the challenges of corruption amid ethnics based politics which has been our game over a decade now.

Capital formation is very crucial to development. But regardless of this, in most African countries the rate of capital formation is below average.

Swedish success was due to high priority which was given to education and human resources development. Regrettably, most African countries toy with this very important aspect. Government initiatives in reducing the illiteracy rate and providing adequate access to job training are urgently required in Africa.

For Africa to attain a high level of development. Its leaders should be more serious and committed. What Africa needs is simply not growth but a 'restructuring and transformation of its political economies from dependent to self-reliant ones (Adebayo, 1989).

Another vital lesson African country should learn from the Swedish experience is that state directed capitalism is essential for rapid development. The mercantilist trade policies of Scandinavian countries demonstrated beyond any reasonable doubt the strategic rule of an aggressive state in the development process.

The Swedish also succeeded largely due to their ability to gain access to the American market in particular and global market in general.

The Swedish surmounted this problem by using export-oriented approach. This calls for the state to strongly emphasize a country's comparative advantages in selected sectors of the economy and to promote exports from these sectors (Kukreja, 1996:325). The African state should learn from the Swedish, that primary products are no longer attractive in the world market. In this regard, we suggest that the state should intervene with a view to initiating export promotion effort.

Conclusion

Some recent changes in the underlying foundations in the Swedish welfare model may lead to a withering away of distinctiveness of the Swedish welfare profile.

The first of the changes has to do with the character of the social democratic workers party. The Swedish welfare system was built in a democratic manner and it was woven into the fabric of Swedish society and this reminds us of the mobilization strategies used in nations where one party is allowed.

The emergence of the conservative party and the recent now political party of the young elements is beginning to wear down the ideological movement in the Swedish society. The young government is more or less committed to other tasks and has no natural connection with social democratic party couple with the termination of its collective union membership. This has affected the party electoral performance in recent years forcing it into many compromises and loss of identity

The strength of the Swedish welfare model has been its ability to combine social security and egalitarian distribution of income with significant economic growth. A rapid social change in Swedish society, including early addition to married women to labor force, gave further growth potential. However, since early 1970s the GDP per capital Swedish planning has been rising at a remarkable slower rate in Sweden than in most Scandinavian countries.

It is becoming gradually clear to most Swedish citizens that the country is steadily losing grounds when standards of living are compared with other countries.

The integration of Sweden into an economic vitalized Europe has however altered the Swedish economic outlook. Sweden must now harmonize its policies in many areas to gain or maintain access to other markets. At least for once, the country has been forced to abandon foreign exchange controls after half a century due to internationalization of the economic system. Today however, capital can easily move of the country and already there have been sighs of an industrial exodus from Sweden.

The paper believes that the earlier entrenched SAP hegemony, the strong industrial base, and relative national isolation were three important prerequisites for the creation of the Swedish planning and welfare system.

With the gradual erosion of SAP hegemony, Sweden's weak economic performance and globalization, there are signs that these tendencies may lead to alterations in the Swedish planning and welfare system and the eventual loss of its characteristics.

Recommendations

This paper was of the view for African countries to move out poverty, ignorance, unemployment and diseases, the following things need to be considered:

- i. African countries need to have leaders whose has a vision and focus for the development of their respective countries in particular and the African continent at large.
- ii. African countries must developed an economic strategic plan that would suit the needs and peculiarities of economic development independently without more influence from the western world by ensuring the resources utility to meet the needs of the African countries and also attract foreign investment for solid economic growth and development.
- iii. African Countries must fight the menace of corruption more reliance on western economic policy rather than developing economic policies that are more African indigenous with has features of effectiveness to attract investors from every angle of the world.

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