

## Sweden has reformed its welfare state to deliver both efficiency and equity – the UK should learn from its example.

*Sweden is widely seen as a standard-bearer of social democratic principles. However **Will Tanner** contends that while the Swedish welfare state is an unlikely poster child for sustainable government, it is nonetheless leading the way in public service reform.*



Politicians the world over are grappling with the same fundamental challenge: how to make government sustainable. The fiscal reckoning may have been exposed by the financial crisis but it was created by ever-upward public spending trajectories and long-term health and population changes that cannot be sustained without uncompetitively high taxes. Last year the Office for Budget Responsibility estimated that UK public spending will increase by 5.2 per cent of GDP over the next 48 years, or £80 billion at today's prices. In the absence of stronger growth or unsustainably high taxes, government must deliver much more with much less.

At face value, the Swedish welfare state is an unlikely poster child for sustainable government. In 2011-12, government spending was 53.1 per cent of GDP, paid for by taxes on the average worker of 42.7 per cent. The country's "cradle to grave" social security system has long been used as evidence that government can and should be bigger, not smaller. Despite this, the Swedish state is showing policymakers the world over how to deliver high quality services at low cost.

In the last two decades, Sweden has reformed its welfare state to deliver efficiency as well as equity. Policymakers have opened up services to competition, using new, for-profit providers to drive down costs and improve quality within Sweden's universal health and education systems. Around 27 per cent of healthcare is now delivered by profit-making firms, including nine major hospitals and 10 per cent of ambulance services, compared to just 3 per cent in the UK. Hospital waiting times have fallen by nearly a quarter since the late 1990s and private ambulance firms have reduced costs by 15 per cent. In education, private firms can run free schools – the inspiration for the Coalition's reforms – for profit, with 400 such schools now established. In the UK, where only charities and parent groups can apply, just 79 have been set up. A recent Swedish study found that children at free schools achieved better grades and were more likely to go to university than state-run schools, with no increase in cost.

Alongside market-orientated reforms, citizens have been given greater power and responsibility over the public services they use. Since 1998, Swedish people have controlled their own individual retirement accounts, allowing them to choose where to put their savings from over 600 investment funds. With greater choice and autonomy, citizens think more about old age provision and save more to pay for it. Similarly, innovative Swedish hospitals have pioneered new forms of care which put the patient in the driving seat: at Jönköping Hospital, for example, kidney patients now operate their own dialysis machines, reducing cost and improving the patient experience. In the UK, the idea of charging for the NHS is dismissed as blasphemy; in Sweden, the introduction of small co-payments for GP and hospital visits (capped to ensure poorer patients are not adversely affected) has incentivised citizens to be healthier and diverted care to more cost-effective settings. In the decade to 2010, Swedish hospital admissions grew just 1.6 per cent compared to the UK's 38 per cent.

Sweden's reforms have brought the country's finances under control. Between 2003 and 2009, healthcare spending rose by just 0.6 per cent of GDP, compared to 2 per cent of GDP in the UK, while pension spending is actually expected to fall by 1 per cent of GDP by 2030. In contrast to the UK, meaningful reform has also allowed Sweden to meet its own fiscal targets: in the last 20 years, Sweden has consistently run a budget surplus of 1 to 3 per cent of GDP. The UK has run a surplus in just 6 of the last 34 years.

The Coalition has rightly recognised the Swedish model of free schools; if it is serious about fiscal

sustainability it must think carefully about Sweden's macroeconomic picture too.

*Note: This article gives the views of the author, and not the position of the British Politics and Policy blog, nor of the London School of Economics. Please read our [comments policy](#) before posting.*

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