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Arguments for and against

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# Private financing of elder care in Sweden: Arguments for and against

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### **Abstract**

The idea that there is a need to increase the share of private financing of the costs of elder care is expressed by several actors attempting to influence the direction of social policy Sweden these days. This idea fundamentally challenges established ways of financing and organising delivery of elder care services in Sweden. Underlying proposals for increasing private financing is the claim that the future scope of public elder care provision must contract, both vertically and horizontally. Underlying *this* claim is the assumption that both the quantity and quality of services demanded will increase, while the supply of public funds cannot. Vertical contraction aims to draw new funds from users willing to pay more to get higher quality services. Horizontal contraction aims to reduce the scope of public sector's responsibility in service provision. This paper outlines recent developments in private provision of elder care services and examines arguments and actors for increasing private financing. Although the proposals have been put forward by influential actors, opposition to increasing private financing has been expressed, and support for solidaristic funding of elder care remains strong. Accordingly, we also consider these dissenting arguments and actors. Our purpose is to set out and evaluate the arguments, evidence and interests behind the proposals, and the likely outcomes of their implementation.

### **Sammanfattning**

I dagens Sverige finns ett antal starka röster som argumenterar för att öka den privata finansieringen av den svenska äldreomsorgen. Förslagen innebär ett drastiskt avsteg från äldreomsorgens nuvarande finansiering, organisering och fördelning. Bakom förslagen ligger antaganden om att medborgarnas anspråk på äldreomsorg kommer att öka i takt med välståndsökningen i samhället, samtidigt som de offentliga resurserna inte kan öka. Den offentliga äldreomsorgen måste därför avgränsas i höjd- och sidled. Vissa tjänster föreslås helt tas bort från äldreomsorgen, medan andra tjänster endast ska erbjudas på en basnivå och kompletteras med privat köpt hjälp. På så sätt förväntas en större del av äldreomsorgen finansieras av de äldre själva. I denna rapport granskas problembeskrivningarna, argumenten och aktörerna bakom kraven på ökad privat finansiering. Även om förslagen förs fram av inflytelserika aktörer finns samtidigt ett starkt stöd för en fortsatt solidariskt finansierad äldreomsorg. I rapporten presenteras även dessa röster: aktörer och argument *mot* ökad privat finansiering. Avslutningsvis diskuteras de troliga konsekvenserna av en ökad privat finansiering av äldreomsorgen.

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# Private financing of elder care in Sweden: Arguments for and against

Gabrielle Meagher and Marta Szebehely

## Introduction

In recent decades, policies on elder care have changed in Sweden. This paper explores a proposal for further policy change in this field of welfare services: increased private financing; that is, increasing the extent to which services are financed by individual users, in line with their capacity to pay. This proposal directly challenges the organising principle of the Swedish welfare services system: that services are financed collectively so that need, rather than purchasing power, determines who receives what.

Our aim is to contribute to debate about the future financing of welfare services, particularly elder care. We believe that the arguments, evidence and interests behind proposals for increasing private financing require close, critical scrutiny, and the likely outcomes of their implementation need to be carefully assessed. This paper does not complete these tasks, but we hope to raise some useful questions for further research alongside the analysis we are in a position to develop and present.

## Background: The evolution of privatisation in Swedish elder care

Before discussing proposals currently on the table, it is important to recognise that change in the social service system in Sweden is not new. Indeed, one way of conceptualising the current proposals for elder care is to see them as part of a process of privatisation that has been going on for some time.<sup>1</sup>

Privatisation is a multi-dimensional process because the organisation of welfare services involves separable activities, each of which can be undertaken by a different actor, or combination of actors. Core activities include *assessing need* for services, *financing* services, *providing* services, and *overseeing* their quality. A form of privatisation happens when one or more of these activities are passed from the public sector to private sector actors. Private sector actors include for-profit organisations in the *market*, non-profit or voluntary organisations in the *associational* sphere, and service users and their families in the *household* sector. Policy on welfare services largely determines the distribution of these activities

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<sup>1</sup> Trydegård (2003); Szebehely (2005).

between the public sector and different private actors. Most welfare states operate with a mixed economy, such that private and public actors are involved in all activities to a degree. In the Nordic countries, including Sweden, the public sector plays a larger role in funding, providing, and overseeing elder care services than elsewhere; nevertheless, as in all other countries, informal care by family members is the most important.

Our focus in this paper is on proposals to increase the *financing* of elder care services by users of elder care, in other words, on privatisation of financing by passing more of the cost from the public sector (tax financing) to the household sector (user financing). This section provides some brief background information about other shifts of elder care out of the public sector, to give a context for the private financing proposal.

Several developments have accelerated the process of different forms of privatisation during the 1990s. One is that, starting in the 1980s and accelerating during the economic crisis of the 1990s, public funding for elder care services has not kept pace with the ageing population. Across the last three decades, there has been a decline in real spending per person aged over 80 years; indeed, since the 1990s, there has been an absolute decline in spending on elder care services.<sup>2</sup> As a result, municipalities have cut back services by increasing needs thresholds and user fees. Between 1980 and 2005 the proportion of old people (80 years+) in the population receiving home care services or living in residential care declined from 62 to 37 per cent.<sup>3</sup> This decline can only to a small extent be explained by increased health among the oldest old.<sup>4</sup>

When needs thresholds increase, users who do not meet the new, higher threshold are not able to access tax-financed services, and must either purchase them on the market, accept support from their family, or go without services. As a result of the decline in number of recipients of tax funded elder care services, there has been an increase both of informal care and of care purchased on the market.<sup>5</sup>

In order to mitigate the negative effects of the increasing user fees, a bill capping fees for publicly financed elder care services was passed in 2002. However, the increase of informal care as well as of care purchased on the market continued.<sup>6</sup> In 2007 this latter strategy

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<sup>2</sup> Szebehely & Trydegård (2007); Socialstyrelsen (2009b).

<sup>3</sup> Larsson & Szebehely (2006)

<sup>4</sup> Thorslund et al 2004; Larsson (2006).

<sup>5</sup> Szebehely (2005).

<sup>6</sup> Szebehely & Trydegård (2007).

received a boost from a policy introducing personal income tax rebates of 50 per cent of expenditure up to SEK 100,000 on household services, including care services. The rebate, then, is up to SEK 50,000 per year per person.<sup>7</sup>

People have always had the opportunity to purchase services on the market with their own funds. This kind of user-financed private provision has, until the introduction of the tax rebate, sat outside direct policy influence. Although the level of publicly-financed provision affects demand for privately funded and provided services, those who purchase services on the market using their own funds do not have their needs assessed in the formal elder care system. Accordingly, measuring the scale of these privately financed, market-provided care and support services for the elderly is difficult. The new tax rebate generates some data. Although not aimed at elderly people, 35 per cent of claimants are 65 years or older; twice their share of the population. However, at least during its first year, the new tax rebate was used by only a very small fraction of the elderly population, around one per cent.<sup>8</sup>

Further, the new Local Government Act of 1992 enabled municipalities to out-source *provision* of tax-financed care services to non-government actors, both for-profit and non-profit.<sup>9</sup> Since then, there has been a growth in the proportion of services provided by for-profit organisations. Although the Local Government Act opened up tax-financed provision to the voluntary sector, growth in provision by non-profit organisations has been very modest, and has certainly lagged behind growth in for-profit providers.<sup>10</sup> Another market-oriented legal reform was introduced in 2008; the LOV (Lag om valfrihet or Legislation on choice). This act aims at making it easier for the municipalities to introduce a ‘customer choice’ (voucher) system for their publicly financed care services. At the same time state incentives to municipalities were introduced to promote the development of voucher systems. These incentives have been taken up by 60 per cent of the Swedish municipalities.<sup>11</sup>

Despite these changes, collective financing of elder care through the tax system remains generous in Sweden in comparative terms,<sup>12</sup> and a large majority of tax-financed services (around 85 per cent) continue to be publicly provided, when the nation as a whole is taken as the unit of analysis. In 2008, in some municipalities, more than half provision is private. But

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<sup>7</sup> Socialstyrelsen (2008a).

<sup>8</sup> Socialstyrelsen (2009b:17).

<sup>9</sup> Gustafsson & Szebehely (2009: 84).

<sup>10</sup> Gustafsson & Szebehely (2009).

<sup>11</sup> Socialstyrelsen (2008b).

<sup>12</sup> OECD (2006: 31).



the majority of municipalities do not purchase services from private companies – an outcome of the deep decentralisation of social services organisation in Sweden.<sup>13</sup> Further, private financing is currently limited in the publicly-financed elder care system: around 5 per cent of the cost of publicly funded care is financed by user fees.<sup>14</sup>

These facts suggest that we should be cautious about understanding – and projecting – ‘the process of privatisation’ as an inexorable and irreversible retrenchment of public provision. Very wide variation between municipalities in the extent of different kinds of privatisation is stark evidence of the extent to which the process remains under political control.

### **Arguments and actors for increasing private financing in elder care**

The idea that there is a need to increase the share of private financing of the costs of elder care is widely expressed by actors attempting to influence the direction of social policy Sweden these days.<sup>15</sup> In this section, we seek to set out *what* the proposals are, *who* is making them, and *how* they are arguing the case.

### **Proposals to increase private financing**

With some differences of emphasis, and of level and content of detail, advocates rely on the same arguments, and make similar policy proposals. Proposals are based on two broad assumptions: i) that the quantity and quality of elder care demanded by users will increase, and ii) that tax revenues cannot. Thus, additional, private funds need to be drawn into the system to make up the gap between growing demand on one hand and the stable (or declining) level of supply that taxes are able to finance on the other.

The assumption that demand will increase is explained by two factors. The most important in more recent documents is rising incomes: proponents of private financing argue that, as households’ incomes rise in line with economic forecasts, they will demand more and better welfare services. Some variants of the argument rely on structural development of spending ratios with no increase in tax rates: private consumption income is rising as a proportion of GDP, while public consumption is declining, at ‘the level of tax rates that has been decided’.<sup>16</sup> As household incomes rise and households’ economic welfare rises along with incomes,

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<sup>13</sup> Socialstyrelsen (2009a).

<sup>14</sup> SOU 2004: 19 (2004: 139).

<sup>15</sup> Some proposals deal with elderly care only (for example, Rollén & Wikman 2008), some with health and elderly care (Borg 2008; 2009a; 2009b), and others deal with welfare services, defined as including health, education and elderly and child care (SOU 2000:7; SOU 2004:19; SOU 2008:105; SALAR 2008).

<sup>16</sup> SOU 2004:19, p. 50.

proponents assume that, to remain acceptable to users, the quality of welfare services will need to increase in line with private consumption.<sup>17</sup> Others add what we might call a generational-cultural inflection to this argument, to claim that the coming generation of elderly people want something better from elder care than did the previous generation.<sup>18</sup>

Population ageing is also assumed to be driving quantitative demands – as proportion of elderly people increases, the proportion of the population needing elder care services also increases, while the size of the workforce paying taxes to fund these services decreases. A key early official exploration of the issue of ‘future challenges for welfare systems’, in the Long Term Survey of the Swedish economy for 1999/2000 discussed only the demographic driver. The emergence of a ‘demanding user’ driver is a later development in the discourse.<sup>19</sup> Indeed, in the Long Term Survey of 2008, the ‘demanding user’ driver is the only problematic development, since

According to the estimates in the base scenario, it would be possible to meet future expenditure pressure from an increased percentage of elderly in the population with no change in tax rates. Sweden is relatively well positioned in this respect compared with other industrial countries with similar demographic trends.<sup>20</sup>

Proponents of increasing private financing also assume that tax cannot be increased to meet future increases in demand. Increased taxes are generally posed as a threat to economic growth, through a variety of mechanisms. Arguments include that international tax competition constrains governments’ capacity to increase taxes.<sup>21</sup> Negative effects on labour supply are also considered a critical reason why taxes cannot be raised.<sup>22</sup> Another problem is that the relative cost of welfare services rises faster than the cost of other goods and services. This is the so-called ‘Baumol effect’ or ‘cost-disease’ effect that arises because of difficulties in increasing the productivity of labour intensive services such as elder care.<sup>23</sup> Given this problem, some proponents argue, to meet demand, taxes would come to consume the vast majority of GNP.<sup>24</sup> There is also the argument that if private financing is not increased, the

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<sup>17</sup> SOU 2004:19, p. 49-50; SOU 2008:105, p. 169-170.

<sup>18</sup> Rollén & Wikman (2008).

<sup>19</sup> SOU (2000:5, pp. 73-81; 104-109); SOU (2004:19, pp. 61, 65); Borg (2009a, pp. 6, 31, 35).

<sup>20</sup> SOU (2008:105, p. 169). The ‘base scenario’ is the forecast of Sweden’s future public finance position, assuming no changes to policies, including taxes. Similar conclusions are also drawn in SALAR (2008).

<sup>21</sup> SOU (2000:5, pp. 90-92); SOU (2004:19, pp. 66-68).

<sup>22</sup> SOU (2000:5 pp. 90-92); SOU (2004:19 pp. 66-68); SOU (2008: 105, p. 172).

<sup>23</sup> SOU (2004: 19, pp. 50-53); SOU (2008:105, p. 176-78).

<sup>24</sup> Swedish National Association of Local Authorities (2002: 76)

capacity of tax-financed welfare services to meet demand will be so compromised that tax-payers will be no longer willing to pay taxes to support them.<sup>25</sup>

The mechanisms proposed for drawing in private funds are simple enough. For proponents, as demand increases with population ageing, and users demand higher quality services, available tax revenues will be enough to fund a *basic* level of service only.<sup>26</sup> Thus, one option is that policies change to allow users to buy services of a higher *quality* by ‘topping up’ with private funds the tax-financed allocation for the basic service. Enabling topping up under this model would involve placing a ceiling on the quality of services to be financed from taxation and so, in effect, this is a proposal for *vertical contraction* of publicly financed elder care. Another way rising demand can be met is by prioritising activities within service systems, such that a *horizontal contraction* of tax-financed care occurs. On this model, activities such as cleaning would no longer be offered as part of the welfare system.<sup>27</sup> Thus, if consumers want additional activities that are no longer included in the basic service, they can purchase them with private funds on the market.<sup>28</sup>

### **Proponents of increased private financing**

One important institutional proponent of the idea of increasing private financing is the Ministry of Finance, and the Long Term Surveys of the Swedish economy are a particularly important platform. For decades, these surveys have sought to problematise the future financing of welfare systems in Sweden.<sup>29</sup> Over the last decade, the question of the future financing of welfare services has become an even stronger focus in Ministry of Finance publications.<sup>30</sup> Indeed, the long-term survey of 2003/04 was entirely devoted to examining the ‘conditions for funding the welfare services that are expected to be in demand in the future’.<sup>31</sup> In the Long Term Survey of 2008, the framing of ‘future challenges for welfare systems’ used in the earlier surveys is replaced with the idea of ‘renewing’ welfare systems, but the arguments for private financing remain much the same. Other official economic organisations have also given support to the idea. For example, in its commentary on the Long Term Survey

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<sup>25</sup> SOU (2004:19, pp. 13, 69, 166).

<sup>26</sup> SOU (2004: 19, pp. 160-61), SOU (2008:105, p. 194).

<sup>27</sup> SOU (2004: 19, pp.157-59), SOU (2008:105, p. 194), Borg (2009a; 2009b).

<sup>28</sup> The *Long Term Survey* of 2003/04 poses horizontal and vertical contraction as practical alternatives, but they are not logical alternatives – both could be pursued at the same time (SOU 2004: 19, pp. 157-61).

<sup>29</sup> Antman (1994).

<sup>30</sup> SOU (2000:7); SOU (2004:19); SOU (2008:105). These studies also have more detailed appendices, published separately, which explain and justify the positions put in the presumably more widely read surveys.

<sup>31</sup> SOU (2004:19, p. 10).

of 2003/04, the Riksbank (the Swedish Central Bank) agreed with the analysis, conclusions and recommendations of the Ministry of Finance.<sup>32</sup>

Within the public sector, another very important player is the Swedish Association of Local Authorities and Regions (SALAR), which is a politically-controlled employer organisation for municipalities and county councils.<sup>33</sup> This organisation is, in general, a key player in elder care, because the highly independent municipalities it represents are responsible for collecting taxes and funding and organising elder care services. The question of the future financing of welfare services, including increasing private financing, has been on the agenda for some time in the municipal sector. In 2002, the precursor body to SALAR, the Swedish National Association of Local Authorities, issued its own long-term survey of needs and resources in the municipal sector. This report argued that ‘services that today are tax-financed increasingly must be financed in other ways’.<sup>34</sup> In 2007, SALAR established a ‘Programme Committee on the Financing of Welfare Provision’, with the stated goal of ‘promoting a broad debate among its members’ about ‘the sustainable financing of welfare services’ in Sweden.<sup>35</sup> In describing the problem the committee is to investigate, the action plan for the committee set out the SALAR leadership’s assumptions. These included the now familiar statement that increasing demand for welfare services cannot be met by increased taxes, and that there is a need for alternative means of financing these services. The action plan also included the following rallying call for political action: ‘It’s important to package the message pedagogically and accessibly in such a way as to be eye-opening, and maybe create some form of “crisis consciousness”, and thus even get the message through to the broader society’.<sup>36</sup>

The need to create ‘crisis consciousness’ is also argued by Per Borg. Borg has developed a model to show how change agents and the creation of crisis consciousness are necessary to generate policy change.<sup>37</sup> He is emerging as the most consistently heard voice in favour of increasing private financing – or as he also calls it ‘increased citizen responsibility’. Now a policy entrepreneur seeking to influence the future of welfare financing, Borg, a former Social

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<sup>32</sup> Sveriges Riksbank (2004). It is part of the Swedish democratic process that all citizens have the right to comment any proposal made by the Government or a specific Ministry. Reports published by a government commission (like the Long Term Survey) are circulated for consideration among different parties affected. We draw here on the public, written comments submitted under this process by some key organisations.

<sup>33</sup> Swedish National Association of Local Authorities (2002), SALAR (2008), Borg (2009a; 2009b).

<sup>34</sup> Swedish National Association of Local Authorities (2002: 9).

<sup>35</sup> Swedish Association of Local Authorities and Regions (2007: 1).

<sup>36</sup> Swedish Association of Local Authorities and Regions (2007: 3).

<sup>37</sup> Borg (2009a, pp. 38-40).

Democratic ministerial adviser, has recently written three reports on the subject, one each for the Ministries of Finance and Education and another for SALAR.<sup>38</sup>

Think tanks and employer organisations are also making concerted interventions on the question of the future financing of welfare services. The market-oriented think-tank, Timbro, has been active, with claims that ‘the people are ready for private financing – are the politicians with them?’<sup>39</sup> Employer organisations, including the Confederation of Swedish Enterprise (Svenskt Näringsliv), Almega, and Vårdföretagarna (Care Companies) have also produced reports in this area, with the aim of influencing policy.

The Confederation of Swedish Enterprise is Sweden’s largest and most influential business federation. It represents 50 member organisations and 54,000 member companies with some 1.5 million employees. It was established in 2001 following the merger between the Swedish Employers’ Confederation (SAF, founded in 1902) and the Federation of Swedish Industry (SI, founded in 1910). One of the Confederation’s member organisations is Almega, the employer and interest organisation for service industries, which has 9,200 member companies with 420,000 employees. Vårdföretagarna is a member of Almega and thus also of the Confederation, and is the interest organisation for private employers in the health and social care sector. Vårdföretagarna represents 1,800 employers with 50,000 employees.

Interestingly, some of the arguments on private financing have been put earlier by employer organisations. In 1997, the Federation of Swedish Industry argued for opening up health care for competition and for private provision and financing.<sup>40</sup> More recently a report from the Confederation of Swedish Enterprise in 2005 argues strongly against raising taxes and equally strongly for increasing private financing for elder care, through the instrument of mandatory insurance, to be paid by those 50 years and older in the population.<sup>41</sup> In keeping with the trend towards generating crisis consciousness, the report is called *Listen to the rain before it falls*. The report stresses that such insurance has to be administered by private insurance companies, including the right of ‘topping-up’, and the Confederation expects that a market for a variety

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<sup>38</sup> Borg (2008; 2009a; 2009b).

<sup>39</sup> Timbro (2009).

<sup>40</sup> Federation of Swedish Industry (1997), see also Gustafsson (2000).

<sup>41</sup> Hansson (2005).

of extra products and services will emerge.<sup>42</sup> This mode of financing is strongly related to a voucher system and the different private providers' possibilities to offer extra services.

All the actors on the provider side mentioned here argue strongly for more private *provision*.<sup>43</sup> But representatives of provider groups within the elder care industry do not argue against public financing. From their perspective it is the relatively generous tax funding of elder care which makes Sweden such an attractive market for private providers. However, a report from Nutek (now called Tillväxtverket) together with Almega, points out health and social care as an 'industry of the future'. In the report it is argued that 'in order to be able to meet new needs, and therefore create conditions for the expansion of the industry, a key question is the possibilities for drawing in increased resources'.<sup>44</sup> This report also argues that service users should have the opportunity to pay for 'extra services' from private providers delivering tax funded services to them.<sup>45</sup> Further, the report asserts that the government must make clear its strategy for the future financing and resource development of health and care, and that it is important that it is made clear what is to be financed by taxes and what citizens will be expected to pay from their own pockets. Not surprisingly Almega makes similar arguments in their response to the 2008 Long Term Survey, and stresses the need for more private financing of welfare services.<sup>46</sup>

The role of the right wing parties is a little more difficult to discern. The policy platform of the Moderates, for example, says that elder care shall be tax financed, and emphasises choice of providers rather than changing financing. But at the same time the Moderates have claimed to be the party of tax cuts, and that they will continue to reduce taxes.<sup>47</sup> This would seem to create precisely the problem that the Long Term Surveys highlight: that private consumption is increasing faster than public, so that tax-financing of welfare services comes under severe strain.

Alongside formally organised interests within Sweden, individuals with various connections to these institutional actors, both public and private, have contributed to raising and publicising the proposal for increasing private financing. For example, former senior civil

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<sup>42</sup> Hansson (2005, p. 74).

<sup>43</sup> In recent years the Confederation of Swedish Enterprises and its member organisation Almega have been very active in advocating private provision and competition. See, for example, Confederation of Swedish Enterprises (2006), Almega (2008a; 2009).

<sup>44</sup> Nutek (2007, p. 50).

<sup>45</sup> Nutek (2007, p. 50).

<sup>46</sup> Almega (2008b).

<sup>47</sup> Äldreomsorgen ska vara offentligt finansierad. From [http://www.moderat.se/web/Vart\\_handlingsprogram.aspx](http://www.moderat.se/web/Vart_handlingsprogram.aspx)

servants at both national and region levels, Berit Rollén and Monika Olin Wikman, support increased private financing in their book, titled *We don't want to get old, the way elder care looks today* (2008). They argue that middle class people born in the 1940s will not be satisfied with the present quality of Swedish elder care, and that more private financing is needed to meet the increasing demands.

International organisational actors are also involved. International support for the idea is also offered by the OECD in its surveys of the Swedish economy, which recommend increasing private financing in welfare services alongside its routine recommendations for (further) privatisation, tax cuts and liberalisation of the labour market.<sup>48</sup>

### **In whose interests is increasing private financing?**

Concerted calls for profound change to social policy from a range of actors are unlikely to arise at random, or to be detached from organised interests of some kind. In this section, we try to understand whose interest proposals for private financing might serve.

Private companies have a clear interest in increasing the private provision of tax-financed welfare services in Sweden, where public subsidies are secure, and very generous by international standards. These companies also have an interest in the opening up of market opportunities within and around tax-financed services, particularly in the 'topping up' arrangements that allow companies providing tax-financed services to offer additional services to subsidised customers. Such a situation would create opportunities to tap a pool of relatively unregulated funds on top of large, secure subsidies.

Since the private sector entered the field of elder care services in Sweden in the early 1990s, both the number and the size of private companies have increased. According to Socialstyrelsen there were 170 companies providing elder care in Sweden in 2003 compared to 120 in 1999. In 2003 the five largest actors had 60 per cent of the private market.<sup>49</sup> The increased use of voucher systems is probably leading to an increasing number of small companies, especially in home care, but today there are four large companies at the elder care market: Attendo Care, Carema, Aleris and Förenade Care.<sup>50</sup> In 2008 the two biggest of these actors, Attendo Care and Carema, seem to have at least half of the tax-funded, privately

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<sup>48</sup> See, for example, OECD (2008). However, also the OECD expects a need for significantly increased public spending on elder care in all the OECD countries; interestingly enough least so in Sweden (OECD 2006).

<sup>49</sup> Socialstyrelsen (2003).

<sup>50</sup> Stolt & Jansson (2006); Dagens Samhälle (2008).

provided care market or 6-7 per cent of the entire elder care sector.<sup>51</sup> This industry profile is the result of a period of merger and take-over activity in the elder care market since 1997.<sup>52</sup>

Attendo Care is the largest of the private actors on the Swedish elder care market. In 2008, more than 10,000 persons (7,000 FTE) were employed by the company in almost one third of the Swedish municipalities. Attendo Care is part of Attendo, a company which, besides care for older and disabled people in Sweden, also runs elder care companies in Finland, Denmark and Norway as well as health care services in Finland. The turnover for Attendo Care was 3.6 billion SEK in 2008 while the turnover for the entire company (Attendo) was 4.9 billion. In 2005 the British private equity company Bridgepoint bought Attendo but today the company is owned by the Swedish private equity company Industrikapital.<sup>53</sup> Between 2004 and 2008 the growth of Attendo Care's turnover was 265 percent.<sup>54</sup>

The second biggest elder care actor, Carema, is engaged in both elder and health care. In 2008, at total of 11,600 persons were employed in the company; 9,700 of them (4,300 FTE) in the elder care sector. Carema runs 139 elder care work places in Sweden and three in Norway. The turnover was 2.9 billion SEK in 2008, of which 2.25 billion SEK in the elder care sector – an increase of 180 percent since 2004. The largest owner of Carema is the international private equity company 3i, which owns 75 percent of the shares.<sup>55</sup>

Between 2004 and 2008 the number of elderly people receiving their tax funded care by privately employed care workers increased by approximately 25 per cent.<sup>56</sup> Thus the two largest companies have grown much faster than the entire private care sector. As a result they most probably also have become a stronger voice when it comes to affecting Swedish elder care policy.

In a study from 2006, top business representatives for Attendo, Carema and Aleris were interviewed. The study does not explicitly focus on the financing of care services, but the three interviewees believed that there will be an increase of private financing; however, they expected that the vast majority of the financing will be public also in the future.

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<sup>51</sup> According to Konkurrensverket (2009:13) these two actors have half the private home care market, and according to Dagens Samhälle (2008:4) Attendo and Carema have half the private elderly care market while Aleris and Förenade Care have 10 per cent each.

<sup>52</sup> Stolt & Jansson (2006, p. 33).

<sup>53</sup> Attendo Care (2008).

<sup>54</sup> Attendo (2009a; 2009b).

<sup>55</sup> Carema (2009).

<sup>56</sup> Calculated from Socialstyrelsen (2005) and (2009a).



Unsurprisingly, given the context of ongoing and generous tax financing, and the potential for increased private financing, all three companies expressed a very positive view on the future. They expected their companies to grow at an annual rate of 10 per cent, such that, in the longer term the private elder care sector in Sweden will have a presence comparable that of the private sector in the United Kingdom, where two thirds of all elder care is privately run. The authors of the report interpret the fact that all three companies are owned by private equity firms as a sign of high expectations of growth and profitability on invested capital.<sup>57</sup> A similar positive view on the possibility to expand the private care market is found in documents from Vårdföretagarna (the employer organisation for care companies), which expects that private providers will have 25 per cent of tax-funded health and social care in 2012 and in the longer term they expect to have half the market.<sup>58</sup>

The broader context of these developments is the ‘financialisation’ of the global economy. The vast accumulation of private financial assets seeking investment opportunities and the pressures on public budgets combine to create strong interests in privatisation among investors and governments. According to political economist, Joseph Huffs Schmid, private equity firms are playing a leading role in opening new areas for investment, such as public assets and services.<sup>59</sup>

Financialisation has also created significant growth in income and wealth at the top of the income distribution.<sup>60</sup> Increased inequality and strong growth of top incomes creates a social group with resources and demands that are outside social norms: citizens with very high relative incomes have little economic interest in redistribution of income or in maintaining and extending public services. Evidence on the changing distribution of income in Sweden shows that inequality in real disposable income has increased a great deal since the mid 1990s. In 1995, the Gini co-efficient was 0.227; in 2004 it was 0.258, and by 2007, it had reached 0.307. Although average real incomes grew in every decile across the period, growth was higher in the top half of the income distribution, and highest at the top. In the top decile, average real income grew 117 per cent, compared to 57 per cent in the ninth (next highest)

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<sup>57</sup> Stolt & Jansson (2006) In their Annual Reports for 2008, both Attendo and Carema are still very optimistic. The annual report from Attendo for 2009 claimed that the company had ‘good prospects of improved development during 2009 towards the long-term goal of becoming Europe’s leading care company’ (Attendo 2009, p. 3), while Carema’s annual report claimed: ‘2008 was one of Carema’s most successful years to date. This suggests positive developments will continue during 2009’ (Carema 2009, p. 5).

<sup>58</sup> Vårdföretagarna (2009).

<sup>59</sup> Huffs Schmid (2008).

<sup>60</sup> Roine & Waldenström (2008).

decile, and 44 per cent in the median. At the 95th percentile, average incomes grew 149 per cent, and in the 99th percentile, real income growth among these very high earners was well over 200 per cent.<sup>61</sup>

This pulling away of high incomes, driven by earnings on capital in the form of dividends and capital gains, intensifies the socio-economic gap between the highest income group on one hand and the rest of the population on the other, even though inequality has grown within the rest of the population too. This development in the income distribution, one would expect, intensifies differences in the *interests* of the two groups in the welfare state and its financing.

There is evidence that the opinion of elite groups diverged from the mainstream views and values of the Swedish population before the recent increase in equality. One key study was undertaken a decade ago by Stefan Svallfors, who sought to understand the impact on attitudes of the welfare state retrenchment that had occurred in Sweden during the economic crisis of the 1990s. Svallfors argues that when income replacement levels and service quality had been high before the crisis, there were ‘few incentives for broad sections of non-manual employees to opt out of the welfare state’. But, he goes on to ask, ‘how will members of the middle class react to welfare state retrenchment, when replacement levels are lowered and the quality of services decline? Will they come to the defence of welfare policies, or will they opt for private solutions?’<sup>62</sup> Although the context prompting the questions was different, the structure of the ‘problem’ is much the same as that assumed by proponents of private financing: that a resources gap has or will open between the demands of the middle class and what the public system can offer.

Svallfors’ study considered two dimensions of privatisation: provision and financing of services. Using occupational data to define classes, Svallfors found little support for the polarisation hypothesis overall, during his study period (1992-1996). In general, support for public provision and public financing of welfare services was high among the middle and working classes in both periods, in line with findings from studies we discussed earlier. What he did find was that the elite group of ‘upper level executives’ had negative views on public financing of welfare services that diverged significantly from other middle class groups, and the working class. He speculates in the concluding discussion that this divergence might be

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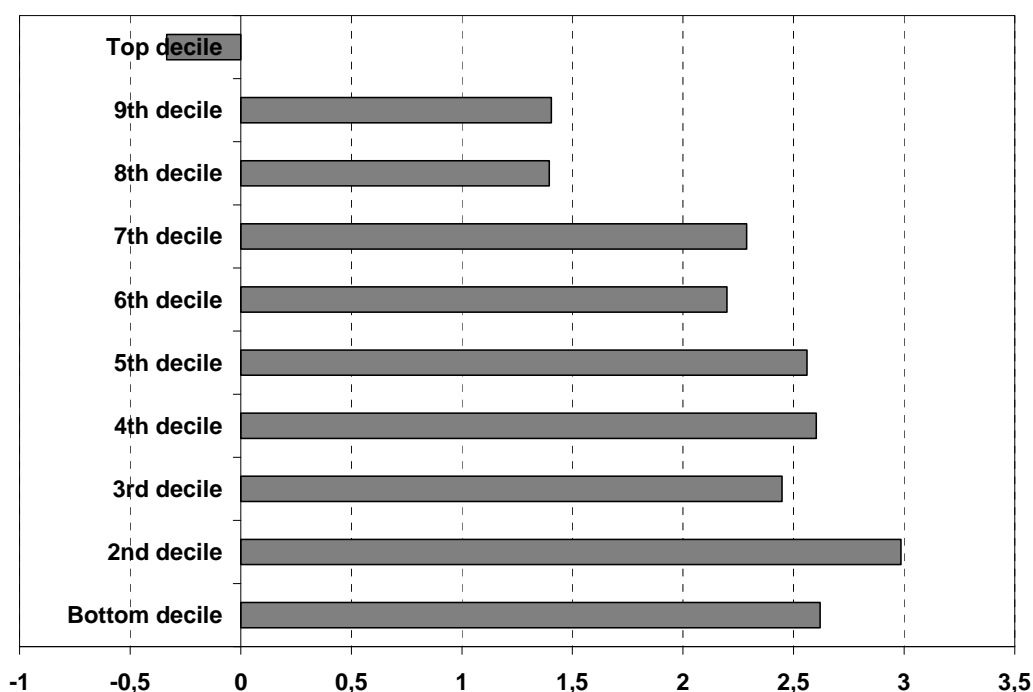
<sup>61</sup> Statistics Sweden (2009). In 2008, the Gini coefficient fell to 0.289, due to a fall in average incomes in the top decile. Falls were sharpest in the top 5 per cent of the income distribution, presumably because of the Global Financial Crisis.

<sup>62</sup> Svallfors (1999: 35).

explained by the personal economic success of members of this group, social distance between them and those affected negatively by the crisis, and the evident impact of neo-liberal ideas on their attitudes.

Our own analysis of data from the International Social Survey Program a decade later confirms Svallfors findings. Although there is an income gradient towards the top of the distribution, the top decile of household income is the only income group that, on average, does not support increased government spending on health and retirement (see chart 1).

**Chart 1: Preferences for more spending on health and retirement, mean scores, by decile of family income, Sweden, 2006<sup>63</sup>**



Source: International Social Survey Program, 2006.

The findings of these attitudes studies are interesting for our argument in two ways. First, an elite group that is relatively hostile to the public sector exists in Sweden. We suggest that this is a group with a strong voice in the present public debate about elder care. Second, and a point to which we return in the next section, the lack of divergence on attitudes to the public

<sup>63</sup> The question asked respondents to say whether they thought the government should spend more or less on a range of activities among them health and retirement. These provide a rough measure of support for elderly people – they are not a direct measure of support for public spending on elder care. Response categories for the question were ‘spend much more, spend more, spend the same as now, spend less, spend much less’, as well as a ‘can’t choose’ category, which was excluded from this analysis. Responses were recoded into a 10 point scale, shown in this chart centred on 0 (-5 to +5). This chart presents the summed, mean scores of individuals’ preferences for spending on health and retirement, with 0 as the neutral preference (spend the same as now).

sector between the middle and low income groups provides some evidence against the claims of 'rising demands' made by proponents of private financing and public sector contraction. The middle class is not turning away *en masse* from the public system in search of a new, higher tier of services for itself in the private sector. Thus, elite opinion on these issues diverges markedly from the mainstream of Swedish opinion – including the middle class.

### **Dissenting voices: Actors and arguments against private financing**

Proponents of private financing form a significant and influential group of policy actors. However, there is not a political consensus on the idea that increasing private financing is the key to the secure future of high quality welfare services in Sweden. Some organised actors, majority public opinion, and assessments of elder care services by their users all challenge the assumptions and arguments of proponents of increasing private financing.

#### **Organised actors**

In the final report of a policy consultation process on the future of welfare policy, the Social Democrats (SAP) make a renewed commitment to solidaristic funding of welfare services, and to continuing the relatively high level of taxation required to do so. According to the SAP's proposal, 'One should not need to pay extra to get good quality in publicly financed welfare'. That said, to enable citizens to choose among diverse alternatives, the SAP continues to welcome private *providers* of welfare services, suitably regulated to protect quality, equity and the public purse.<sup>64</sup>

Further, one of the largest organisations of the elderly themselves, who have a keen interest in the future of welfare services, has expressed opposition to increasing private financing. The National Organisation of Pensioners (PRO), via its response to the Long Term Survey for 2008, explicitly rejects the Survey's recommendation that an official inquiry be established to investigate the possibilities for increased private financing of welfare services. Instead, these services 'should be financed solidaristically'. According to PRO, 'An increase in private financing leads to negative distributional effects and deepens divisions in society. Welfare services should be distributed according to needs and not capacity to pay'.<sup>65</sup>

The most articulate dissenting voice probably belongs to the LO economists. The economists of LO, the Swedish Trade Union Confederation, produced a strong counter argument to the

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<sup>64</sup> Social Democrats (2009, pp. 12-16).

<sup>65</sup> National Organisation of Pensioners [PRO, Pensionärernas Riksorganisation] (2009).

2004 Long Term Survey.<sup>66</sup> Similar but less developed counter arguments are voiced by LO in its response to the 2008 Long Term Survey.<sup>67</sup>

The LO economists agree with the 2004 Long Term Survey that there will be increased demand for welfare services. In opposition to the LTS, however, they expect that this can be met by increased public spending but they also argue that it is possible to increase the productivity in welfare services. They start with discussing two options for increased private financing suggested by LTS: increased user fees and private insurances. The first is ruled out with the argument that even drastically increased fees would not cover the expected increased need for resources; the second is ruled out with the argument that it would lead to very limited gain in efficiency but a great loss in justice.<sup>68</sup> Instead different ways of increasing the public financing are discussed: raising income taxes, raising the goods and services tax, or introducing a mandatory elder care insurance financed by a ‘generational tax’ (a tax paid only by those 50 to 65 years old) earmarked for spending on elder care in a ‘generational fund’.<sup>69</sup> The LO economists argue most strongly for the last alternative. The reasoning is that it is important both that there will be enough public resources in the future and that the citizens can trust that these resources will be used for accessible and high quality care services. The ideal is therefore a form of public financing which has the same distributional effects as a tax but without affecting individuals’ working and consuming behaviours. They argue that people in the suggested age group have both the capacity and the willingness to pay an extra tax to meet their future elder care needs. People with higher incomes would pay somewhat more, while the standard of the services would be equal for everybody.

The idea behind saving money in a fund is to make sure that there will be enough resources for future needs (to be used twenty years ahead when there will be a rapid increase in the proportion of people aged 80 and over in the population). It is argued that such a fund in the first place should be built up by the suggested ‘generational tax’ administered at the state level, but an alternative could be increased municipal or goods and service taxes.

In its response to the 2008 LTS, the generational tax or the generational fund is not mentioned. Instead the LO stresses the possibility to increase the tax base by different

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<sup>66</sup> LO (2004). *Kan framtidens välfärd finansieras? – LO om LU* is a 100 page publication aimed both as a response to the Ministry of Finance and to a wider audience.

<sup>67</sup> LO (2009) *LOs yttrande över Långtidsutredningen 2008 (SOU 2008:105)* is signed by the president of LO and is a shorter (11 pages) comment sent to the Ministry of Finance.

<sup>68</sup> LO (2004, p. 58).

<sup>69</sup> Mandatory elderly care insurance schemes have been suggested by a number of actors among them the National Social Insurance Board (today Swedish Social Insurance Agency) (2001).

measures to increase the labour market participation, but increased taxes are not ruled out. The LTS is criticised for its focus on welfare services as a cost, without regard to their positive effects on productivity more broadly. In particular the role of women in providing informal care for elderly people is stressed, and it is argued that reduced public elder care services will negatively affect women's labour market participation. Finally, the LO welcomes the suggestion of a parliamentary commission on the financing of welfare services but, in contrast to the LTS, such a commission should not only focus on increased private financing. Instead the commission must also analyse how welfare services can be developed through public financing, for instance by alternative forms of taxation.

### **Public opinion on financing elder care**

As already discussed above, survey evidence shows widespread public support for a tax funded welfare state. Indeed, surveys conducted over decades show a relatively stable balance of opinion against reducing the size of the public sector in Sweden since the late 1990s.<sup>70</sup> On more specific questions about preferences for elder care provision and financing, survey evidence is clear. On average, Swedes prefer raising taxes to increasing private financing and raising taxes to decreasing service quality in elder care.

A survey conducted in 2008 on behalf of SALAR asked respondents whether, if their municipality was to have a good economic result in the following year, would they prefer it to increase the quality of a range of services or to reduce taxes.<sup>71</sup> The vast majority – 93 per cent – preferred increased quality in elder care to tax cuts. Asked if they would consider paying higher taxes to increase the quality of elder care for all, 83 per cent responded 'yes'. This is clear evidence that solidaristic norms remain strong. However, a high proportion (78 per cent) is also willing to pay extra to get better elder care services for themselves. Respondents were also asked to choose between higher pensions, which are paid to individuals, or increasing staffing levels in elder care, which benefits older people needing care in general. Opinion was more than 2:1 against increasing pensions; 68 per cent preferred increasing staff levels in elder care, while 29 per cent preferred higher pensions. These results confirm the finding of an earlier study of attitudes to tax increases over time, which found stable majority support for

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<sup>70</sup> Holmberg & Weibull (2008).

<sup>71</sup> SALAR and Synovate (2008). The survey asked about elder care, schools, health care, child care, leisure activities, public transport and cultural activities. We discuss the findings on elder care only here.

paying more taxes, if they were to be spent on support to the elderly (including pensions and care) between 1997 and 2002.<sup>72</sup>

There is some opportunity to test the idea of middle class rejection of collective solutions with the data from the SALAR survey, using university education to distinguish the middle class. The survey data reveal no significant differences between educational groups in the preference for tax cuts over quality increases or in preferences for pension increases over increasing personnel in elder care services. On the question of willingness to pay more to receive higher quality services for oneself, the findings on class are more complex: respondents with the lowest level of education (compulsory schooling only) and with the highest level of education (university degree) are somewhat more willing to pay than the middle group (those who completed upper secondary school). In other words, while there is some difference by education, there is no evidence of a clear class cleavage.

In the context of general support for public financing of welfare services, interpreting widespread willingness to pay extra requires a little more discussion. Our interpretation is that Swedes believe that it is important that more resources be devoted to elder care, and that they are personally willing, through the tax system and by personal contributions, to devote more of their own resources to it.

Very strong preferences for *formal* care in Sweden are also likely to underpin the willingness, expressed by all social classes, to devote more resources to elder care services. A Eurobarometer survey on long-term care in 2007 found that Swedes are more likely to prefer formal elder care than citizens of any other European country. Eighty per cent of Swedish respondents believed that formal home care or residential care is the best option for elderly parents, compared to the EU-27 average of 37 per cent. Denmark came second with 72 per cent preference for formal care.<sup>73</sup> In comparative perspective, also, trust in elder care personnel is high in Sweden. Swedish respondents were among those most likely to agree with the statement that ‘Professional care staff looking after dependent elderly people are

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<sup>72</sup> Svallfors (2003).

<sup>73</sup> Eurobarometer (2007, p. 67). The survey asked respondents to choose what they thought was the best option for an elderly parent no longer able to live at home without regular help. The options offered were that the parent should live with one of their children; public or private service providers should visit the parent’s home and provide them with services; one of their children should visit regularly to provide the necessary care; and the parent should move to a nursing home. To create a measure of formal care, we added the proportion of those respondents choosing service providers coming to the home and nursing home together.

highly committed to doing an excellent job' (80 per cent, compared to the EU-27 mean of 59 per cent).<sup>74</sup>

The strong support for formal care services found in the Eurobarometer survey confirmed an earlier national study in Sweden, which contributes a further important detail. Among the large majority preferring formal care, publicly *provided* care is strongly favoured over care provided by companies under outsourcing arrangements, and over care purchased privately on the market.<sup>75</sup>

We pointed out in an earlier section that informalisation of care is underway in Sweden. Further informalisation of care is unlikely to be popular among Swedes, a large majority of whom already see the extent of informal care as burdensome. The Eurobarometer in 2007 found that 70 per cent agreed that 'Dependent people have to rely too much on their relatives', compared to the EU-27 mean of 71 per cent, and the lowest reported result of 42 per cent in Denmark.<sup>76</sup> Presumably, Denmark's low score on this measure can be explained by the very high coverage of elder care services in that country.<sup>77</sup>

### **Service users in elder care**

There is little evidence to suggest widespread or deep dissatisfaction with the quality of elder care services today. The Socialstyrelsen (National Board of Health and Welfare) conducted a national study of user satisfaction with elder care in 2008.<sup>78</sup> A mail survey was sent to more than two thirds of all elder care recipients of tax funded elder care services in Sweden. The response rate was 72 per cent for those receiving home care and 61 per cent for those in residential care (91,000 respondents altogether).<sup>79</sup>

The study shows that, on a scale of one to ten, the average level of satisfaction with both home care and residential care services was around seven. The elements of service quality receiving the highest scores were the way in which elderly people felt they were treated (*bemötande*), the scope of the help offered and, in residential care, the housing standard of the facility. Elements receiving the lowest scores were information, social activities and food. Of

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<sup>74</sup> Eurobarometer (2007, p. 74).

<sup>75</sup> Szebehely and Trydegård (2007, p. 212).

<sup>76</sup> Eurobarometer (2007, p. 73).

<sup>77</sup> Nososco (2008).

<sup>78</sup> Socialstyrelsen (2009c).

<sup>79</sup> A majority of the home care recipients filled in the survey themselves, but among the elderly in residential care the survey was most often filled out by a family member, reflecting the poor health, mainly dementia, among elderly in residential care.



particular interest here is that the study found no class difference in evaluations of service quality, neither in home based nor in residential care. Elderly people with a university education are just as satisfied with the services as are elderly people with compulsory education only, and former senior salaried employees are as satisfied as former unskilled workers.

The survey shows that, overall, satisfaction with the quality of elder care services is reasonably high. Significantly, there does not seem to be any sign of dissatisfaction among the middle class. Important in this context is that, in Sweden, people from all income groups use tax-funded services. Some studies suggest no difference in patterns of use of tax-financed elder care services between class groups.<sup>80</sup> One study has found some evidence that people with higher levels of education are slightly more likely to receive home help and to be in residential care.<sup>81</sup>

### **Dynamic effects of increased private financing**

Policy that changes the structure of welfare institutions by changing the roles of the public sector, the market and households in financing, providing and overseeing welfare services will have dynamic effects that emerge over time. What would be the effect of increasing private financing on the distribution of elder care services? Is increasing private financing likely to improve the quality and quantity of care services available in Sweden?

Changes to means of *financing* care are also linked to changes in means of *providing* care. At the institutional level, even if the current absolute size of public sector provision does not shrink, the share of the private sector (both market and household) will necessarily rise with horizontal and vertical contraction of public financing. It is extremely unlikely that proponents of private financing envisage that the public sector will get involved in selling additional or supra-basic services on the open market! Actually, in contrast to private providers of tax funded home care services, public providers are legally forbidden to offer 'extra' services. Under Sweden's free choice model, then, the private providers have an advantage in the competition.<sup>82</sup> As mentioned in the background section of this paper, in 2008 a new piece of legislation was introduced with the aim of facilitating the introduction of a voucher system for care services in the municipalities. The Government Bill that preceded the new legislation stresses that an important aspect of the free choice model is that it gives

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<sup>80</sup> Szebehely (1999; 2009); Szebehely & Trydegård (2007).

<sup>81</sup> Larsson (2004).

<sup>82</sup> Szebehely & Vabø (2009).

‘external suppliers’ (that is, private providers) the ‘possibility to offer extra services and hence increase their operation and reach a higher profitability’.<sup>83</sup> Further, given the very slow growth of non-profit providers in elder care compared with for-profit providers over the last decade and a half, within the private sector, growth is likely to be concentrated among for-profit providers. Thus, privatisation of *financing* would entail further marketisation of *provision* of elder care.

Proponents of marketisation of services typically believe that services will be more efficient and of higher quality than public services, because of the effect of competition.<sup>84</sup> This means the same resources should yield a greater amount and/or better quality of service. Yet as the Long Term Surveys themselves argue, the labour-intensive nature of welfare services such as elder care means that productivity improvements are difficult to make, regardless of the competitive environment. In other words, when private organisations take on the activities of public sector organisations, the properties of those activities do not change. Thus, it is difficult to see how changing the institutional environment can significantly improve the efficiency of welfare services.

Indeed, there is reason to believe that marketisation of welfare services actually increases the total social costs of elder care. With a system of public financing, or mixed public and private financing, private provision increases the transactions cost of organising services at the inter-institutional level.<sup>85</sup> Under outsourcing models, for example, contracts must be written and performance monitored ‘at arms length’. Under user choice models, a variety of costs may increase at the level of provider organisations. One example is the increased cost of travel time in home care organisations that offer services not to a defined local area, but to ‘customers’ who choose them from within a much larger geographical area. Private providers also have an interest in increasing the scope of needs for which users receive public subsidies, to increase their income.<sup>86</sup>

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<sup>83</sup> Government Bill 2008/09:29 (p. 123).

<sup>84</sup> Competition Commission (Konkurrensskommittén) (1991).

<sup>85</sup> There is very little information on transaction costs in Sweden but according to the National Board of Health and Welfare the public expenditure in 2003 was somewhat *higher* in the municipalities that had introduced competitive tendering of elderly care services compared to those where all the services were still public. The Board is very cautious about the basis for the analysis, but concludes that competitive tendering of elderly care does not seem to have lowered the costs (Socialstyrelsen 2004, p. 8).

<sup>86</sup> This has been shown to be the case in the personal assistance scheme for disabled people: the average number of hours used has increased much faster for those using for-profit companies organising their assistance than for those who receive assistance from a municipal provider (Roos 2009, p. 53). The users are more satisfied with the non-public providers, but the very rapid increase of the costs of personal assistance is a worry for Swedish policy

Another likely economic consequence of increasing private financing is informalisation of elder care. Proponents of private financing assume or expect the market to replace publicly funded care services. However, as the experience of contractions over recent decades shows, for many elderly people, both horizontal and vertical contraction of tax-financed services means turning to informal care. Family support has increased both as a *substitute* for tax funded home care among older people with smaller care needs (as a result of horizontal contraction) and as *complement* to home care for those with larger care needs who still receive home care but not enough hours (as a result of vertical contraction). The informalisation of care particularly affects elderly people with low levels of education, while those with more resources have instead turned to the market to buy services.<sup>87</sup> Middle aged women, in particular, have increased their help to their elderly parents.<sup>88</sup> According to one calculation, the share of the total number of hours of care provided by friends and family to older people living at home increased from 60 to 70 percent during the 1990s.<sup>89</sup> (The remainder was provided by formal, tax-funded services; private, out-of-pocket services were not considered.) On the face of it this is a cost-saving: unpaid care replaces tax-financed paid care. Yet unpaid carers might otherwise themselves be employed and paying taxes. Women who provide help to a person outside their own household (often a parent) at least a couple of times a week run twice the risk of being outside the labour market compared to same age women who do not provide regular help.<sup>90</sup> In 2002-03 there were 80,000 individuals in Sweden (three quarters of them women) who reported care of an older or disabled family member as the main reason for working part time or not being gainfully employed.<sup>91</sup> The financial cost for the individual in terms of loss of present income and reduced pension is obvious, but so is also the loss of municipal tax income, as the LO economists argue in their response to the 2008 Long Term Survey.

Reducing the scope of publicly financed elder care may also have other costs. We have seen that one key proposal for increasing private financing is horizontal contraction, so that services such as housekeeping are removed completely from the publicly financed care system, and left for service users to organise for themselves. User fees and changes to needs assessment practices discussed above have already commenced this process. However, one

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makers, and it has been suggested that profit-maximising private companies may have contributed to this increase.

<sup>87</sup> Szebehely & Trydegård (2007).

<sup>88</sup> Johansson et al. (2003).

<sup>89</sup> Sundström et al. (2002).

<sup>90</sup> Szebehely (2006:449).

<sup>91</sup> Szebehely & Ulmanen (2008).

reason why publicly-financed services exist is to provide necessary services to those who could not or would not buy them for themselves, because of lack of money, information, or capacity to weigh the costs and benefits in their own or the general interest. Tax-funded home care can also have a significant preventive function, reducing demands on the health care system and on (more expensive) residential elder care. The horizontal contraction that has already occurred has cut back services to elderly people who might have previously been offered a small amount of help and/or some assistance with cleaning and other household tasks. This kind of help constitutes a small proportion of elder care spending, and a very small proportion of welfare service spending overall, yet it can lead to considerable cost savings.

This was the argument behind a Danish legislative reform which since 1998 made it compulsory for Danish municipalities to twice yearly offer a 'preventive home visit' to all elderly people, 75 years and older. The aim of the visits is to inform citizens about how to improve their health, but also about the services available and to inform the local authority about potential unmet care needs in the population. This law was introduced after a study in one municipality showing that small amounts of help could postpone institutionalisation (in residential care as well as in hospitals).<sup>92</sup> In contrast to Sweden, the care services are also free of charge from the user's point of view. Both Denmark and Sweden are big spenders on elder care. But in relation to the numbers of elderly people Sweden spends more, while Danish elder care services reach a much larger proportion of the population.<sup>93</sup> The more generous provision of small amounts of help might be the reason behind this.

### **Democratic impacts of increased private financing**

If new forms of private financing were to be introduced into elder care, the democratic steering, regulation and responsiveness of the service system are likely to be affected. We have already considered the Swedish public's attitudes to public provision and financing of elder care. In this section we consider the issues of oversight of service quality raised by increasing private financing.

Market models, whether financed by taxes or privately, rely on exit rather than voice for quality regulation. There is some evidence that voice options in publicly financed and

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<sup>92</sup> Vass et al. (2005a; 2005b).

<sup>93</sup> Nososco (2008).

publicly provided elder care is less than ideal.<sup>94</sup> However, it is not clear that leaving quality ‘regulation’ to the market mechanism is the best alternative.

The Swedish National Audit Office released a much publicised report on private elder care in 2008. The Audit Office criticised the state for not taking full responsibility for securing the quality of privately provided elder care. Privately and publicly provided tax-funded elder care are regulated by different legislation. For instance, the municipalities do not have the same right to control out-sourced services as they do for publicly run services; publicly but not privately employed workers are guaranteed protection from reprisals if they become whistle-blowers; and while publicly employed care workers are required to report abuse and other problems to the local politicians, the privately employed care workers are required only to report to their managers (and thus to the employers/owners). The Audit Office concluded: ‘Altogether there is a risk that bad conditions within privately provided elder care go undetected’.<sup>95</sup>

The local political control of tax funded welfare services is specific to the Nordic welfare municipalities. From a democracy perspective it is therefore important to note that there is a greater distance between local politicians and care workers who are privately employed, as suggested by the Audit Office report. A study of Swedish care workers points in the same direction: while publicly employed care workers regard the local politicians as a supportive factor for their working conditions and for the quality of care, their colleagues working in out-sourced elder care hope for and expect less of local politicians. Thus the increased privatisation of elder care provision tends to diminish care workers’ belief in political steering of elder care in Sweden.<sup>96</sup>

The democracy aspects of privatisation are also stressed in one of the more elaborate counter arguments to privatisation. In a report *Ta tillbaka demokratin!* [Take democracy back!] from the Social-Democratic think-tank, Anne-Marie Lindgren, discusses deregulation and privatisation of, among other areas, elder care. She focuses the marketisation of provision rather than the issue of private financing and stresses the importance of administrative, economic and political regulation of private provision. She argues that privatisation so far has been governed by a naïve and romanticized – or too ideology-driven – conception of how markets actually function. She is not dismissive of choice, but reminds us of the interests of

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<sup>94</sup> Persson and Berg (2009).

<sup>95</sup> Riksrevisionen (2008:7)

<sup>96</sup> Gustafsson & Szebehely (2009).

the producers: the market for welfare services is characterized by increasing demands, is insensitive to business cycles and relies on guaranteed financing through tax money. Therefore, she argues, it is important to secure political control over the distribution of welfare services. The market can never serve as a mechanism for fair and equitable distribution of welfare, and she ends the report: 'It is time to take back democratic influence over the tax-funded sector'.<sup>97</sup>

## **Conclusion**

The proposals we have discussed fundamentally challenge established ways of financing and organising delivery of social services in Sweden. Indeed, the concluding section of the Long Term Survey of 2003/04 is called 'New funding requires new objectives', and the final paragraphs of the entire report, before the summary is presented, include the following:

... a greater element of private funding in addition to the funding provided by taxes ... means that the demand for welfare services would be determined by the contents of an individual's wallet to an increased extent. This would be in conflict with the fundamental objective that welfare services are to be provided according to need, irrespective of ability to pay, and equality of access and equivalence in the services provided are to be guaranteed.<sup>98</sup>

Creating 'crisis consciousness' is one of the political strategies of proponents of private financing, and we do not want to manufacture a false crisis in our own analysis. Yet increased private financing poses a real threat to the solidaristic universalism that underpins Sweden's significant achievements in human development. Organised action by proponents of a reduced role for the public sector is yet to be seriously countered by those interested in preserving the legislated principles governing Swedish social policy, and in defending the expressed preferences of Swedes in this crucial policy area.

More research is needed to inform the ongoing debate about the future financing of welfare services. We propose a range of areas for research attention. One is the evolution of the structure of the market sector and the role of market sector actors in influencing policy on welfare services. Another is the effect of EU competition policy, itself driven by self-interested market actors,<sup>99</sup> on the Swedish governments' capacity to determine social policies.

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<sup>97</sup> Lindgren (2009:46).

<sup>98</sup> SOU 2004:19 p. 162.

<sup>99</sup> Hermann (2007, p. 11).

Systematic investigation is also needed into the concepts and dimensions of service quality important to current and future users of publicly-financed elder care services, and into the cost implications of different kinds of quality developments. Perhaps most important is research on the ongoing role of economists in shaping social policy through documents such as the Long Term Surveys of both the Ministry of Finance and SALAR, in line with work by Agneta Hugemark and Peter Antman in the mid-1990s.<sup>100</sup>

We do not claim that the quality of public elder care in Sweden could not be improved, nor deny that more resources may need to be devoted to providing high quality care.

Nevertheless, Sweden has created a strong private economy, alongside one of the more humane systems of social support in the modern world. It would be a very sorry state of affairs if the projected increase in total social resources make it *more*, rather than *less*, difficult to continue to moderate inequality.

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<sup>100</sup> Hugemark (1994) and Antman (1994).

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