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Social Democracy, the Labour Market and the Third Sector: the Swedish Case

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Yohanan Stryjan, Södertörn University

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Sweden

1. Labour-market and employment: a brief overview¹

Full employment and high labour market participation are two important elements of the universal and comprehensive Swedish welfare state (Stryjan, 1994). The right to employment is perceived as a general civic right², and work integration has been a public responsibility since the thirties. Full employment is stipulated as a central policy objective in The Labour-Movement's Post-War Program (*Arbetarrörelsens efterkrigsprogram*) of 1945, a pivotal position that remains virtually unchallenged until the present day.

'The Swedish Model' is a general, if somewhat loose label traditionally applied to Swedish social and economic policies in the post-war period. The model combined, in an interesting way, high social aspirations and an egalitarian approach, with a strong market-orientation³. The goals of high labour market participation, high (virtually full) employment, high economic growth and low inflation, considered contradictory by conventional wisdom, were ingenuously integrated in the so-called Rehn-Meidner model, and pursued in tandem, and with a considerable degree of success from the 50s and onwards. Though some of the model's basic tenets were gradually eroded by economic development (see below, section 2), Swedish unemployment figures, judged by European standards, remained comparatively low throughout the 80s. A crisis in the early 90s caused a sharp drop in the number of gainfully employed, from roughly 4.5 million 1989 to 3.85 million in 1992⁴, and a corresponding sharp rise in unemployment. Unemployment figures approached ten percent for the first time in Sweden's post-war history, and the goal of full employment had to be abandoned for a brief period. A gradual return to the Swedish norm followed, and unemployment receded steadily from the mid-nineties (with a brief reversal in 1997) and stands, since 2001, at the four percent level⁵.

Labour market participation as percentage of the 16-64 age group declined in the early 90s, but is presently back at 74 percent, and only 26 percent of those presently in work age are not in the labour market. However, over one third (37.5%) of this rest-group is constituted by persons classed as permanently unemployable (recipients of early pension or disability pension)⁶. As it will be argued in section 2 that follows, these two figures- of high labour-market participation on one hand, and of high labour market exclusion on the other, are closely interlinked. In a manner of speaking, both represent central aspects of the Swedish Model. The Swedish government currently set a target level of 80 percent labour-market participation. This target cannot be met unless the nearly half a million strong group of permanently excluded. is addressed, which, in turn would presupposes a modification of the Swedish Model's institutional make-up, and the shaping of new organizational forms and policy tools that could address- and reduce labour market exclusion.

¹ The figures in this review are based on the Labour Market survey of Swedish National Statistic Office (SCB). Monthly time-series are available at www.scb.se/statistik

² The proclamation on of government form (kungörelse 1974:52 *Om beslutad ny regeringsform*) specifies the right to employment as one of the basic rights that are safeguarded by the public/the collective (Sw. allmänhet)

³ Typically, the labour ministry has traditionally been titled 'the ministry for labour-market'.

⁴ Source: Central Statistical Bureau; <http://www.scb.se/statistik/am0207/am0207dia2.asp>. The Bureau's later figures of 3.75 million for the same year were computed in a different method and are not fully comparable

⁵ The population in the age-group 16-64 numbered 5,5 million in Nov 2002. 169,5 thousand people were registered as unemployed. Further 39 thousand lack work, but are not eligible to register as unemployed.

⁶ 1.297 million Swedes are classed in SCB's statistics as 'not in the labour force in Dec 2002; the number of persons on early retirement that month was 488.500, according to press figures (*Dagens Nyheter* Dec 21st 2002).

2. The institutional context

The basic ingredients of the Swedish Model: universal welfare, industrial policy, solidarity and social cohesion are far from extraordinary in themselves. Yet, the model's high level of consistence that links normative assumptions and institutional practices into an integrated whole, as well as the high aspiration level are probably unique internationally (Stryjan, 1994). The distributive aspects of welfare (the model's best known hallmark; see, e. g. Esping-Andersen and Korpi, 1987; Esping-Andersen, 1990) are firmly embedded in a broader economic perspective, in which production and distribution are carefully balanced, and delimited by a quasi-corporatist division of tasks, within a market model. Inasmuch the model defines the starting points of today's changes and still permeates much of the routines, mind-sets and administrative practices in the sector, it is useful to open the discussion by a brief review of some of its normative underpinnings (Stryjan, 1994; Stryjan and Wijkström, 1996).

Collectivism and individualism: society at large (rather than households) is considered as the major producer of welfare. While corporate entrepreneurship is endorsed, individual entrepreneurship was traditionally frowned upon. Somewhat at odds with its collectivist spirit, the model also contains a fiercely individualistic slant. Thus, welfare entitlements are strictly individual, and were often purposefully decoupled from any affiliation to any collective, group, or even family; employment subsidies, where are strictly linked to individual wages, and not to employers' declared purposes. The same logic applies to taxation: general tax-breaks for fulfilling a social purpose (such as employing marginalized groups) are shunned as a matter of principle⁷. Income tax is decoupled from family status, while family benefits are decoupled from income, etc.

Welfare and employment: the right to employment was (and, in many ways, still is) part of the normative core of the Swedish Model (Stryjan, 1994). Inasmuch welfare entitlements are largely employment-related, truly general welfare is contingent on general (i.e. full-) employment, which makes full employment into a prime boundary condition for the model's coherent operation. The high level of labour market participation (indirectly precipitated in the 60s⁸ by the replacement of household taxation with a strongly progressive individual taxation that made single-income households and family proprietorships economically unfeasible) also worked to make employment (rather than occupation) into a central defining element of identity.

This notwithstanding, the *provision of employment* was never considered as an element of welfare policy proper. While the welfare state was expected to deliver welfare, it was NOT supposed to directly deliver employment nor to 'create jobs'. These were to be created by business and allocated through the workings of the labour market, that assumes the role of a central mechanism of social integration, well subsumed by the *Arbetslinjen* concept⁹. The State's responsibility for employment policies was enacted on two levels: at the macro level, as facilitator of a smoothly functioning labour market; at the micro level by assuming responsibility for the social overhead costs that worker mobility entails (cf von Otter, 1978).

Equality and exclusion: ideally, the model could be perceived as a general insurance scheme (Hedborg and Meidner, 1984), safeguarding average welfare for the entire population, rather than baseline welfare to targeted problem groups. Welfare services were gauged for the level of expectation of the *average* citizen. The sections of the population that are addressed would constitute the upmarket segment of welfare services in more conservative systems. Similarly, employment policy strove to create and maintain a unified labour market, with nationwide

⁷ Some exception to this rule (in the case of VAT) exist; See Stryjan and Wijkström (1996)

⁸ This progressivity got considerably blunted, from the 80s and onwards as taxation increasingly shifted from progressive state taxation to strictly proportional payroll- and municipal taxes.

⁹ Literally 'the work-line' or the work-queue. For a discussion of the concept, see, e. g. Axelsson, 2002.

standard wage scales, and a high level of skills and mobility. Public funding was primarily directed to programs that enhance individual employability as well as physical mobility on this general market. Public involvement in "job saving" maintenance or creation of special market-segments was considered counterproductive. As we shall see later, this policy-focus on the average impaired capability to identify new and/or marginal problem groups.

The setting of full employment as a societal norm is a formulation subtly different from decrying unemployment as a major societal problem. Full employment, as perceived in this mind-set was conceptually joined to growth, optimal allocation of resources, and maximal utilization of human productive resources, *not* to the conservation of jobs or branches. Traditionally, the Swedish Labour Movement was strongly opposed to workfare or anything that may resemble charity. Rather than to support ailing branches, the state's task (and, oddly enough, the trade unions' as well) was to work to eliminate them in the fastest and least painful manner, and facilitate the transfer of manpower and capital to more successful ones (Meidner, 1992).

The combination of high labour market participation with high labour mobility was seen as a way to fuel economic growth and facilitate structural adjustments and high capacity utilization while keeping inflationary pressures in check. In a system that postulates full employment as the normal condition, unemployment is seen as a frictional phenomenon, not as a structural one (Meidner, *ibid*). Unemployment is to be considered as a temporary (rather than endemic) and an individual (rather than systemic) affliction, to be remedied through active labour market policy measures. The active labour market policy relied on strictly individual measures administered by labour market authorities: retraining- and mobility grants for the ordinary unemployed, and placement subsidies (and, where necessary, grants for the physical modification of a workstation) for the disabled. Ideally, every person losing his job should have his or her qualifications upgraded to the level currently required by prospective employers, and whenever necessary, also be physically moved to where the jobs are.

A basically corporatist division of tasks between organized societal sectors: state, business community, and popular movements is assumed in this model (Laurelii and Stryjan, 2002; Stryjan, 1994). In this world-view, the '**business community**' (*näringslivet*), stands for production, accumulation, and the creation of workplaces (cf Erixon, 1998); **the State** administers (re)distribution and system maintenance (Abrahamsson and Broström, 1982; von Otter, 1978)¹⁰ - finally, **Popular Movements** are seen as an organized framework of civil society, that focuses on articulation of interests, and the shaping of the broad societal agenda. Of these three parts, only two were assigned a direct role in the field of employment: the state as a facilitator of labour reallocation, and the "business community" (*näringslivet*), as an actual creator of jobs (Stryjan and Wijkström 1998). The individuals' role in this system is, primarily, 'to stand at the labour-market's disposal' (as formulated in the statutory requirements for unemployment benefits and expressed by the *Arbetslinien* concept); and let oneself be allocated by the labour-market mechanisms; own initiative was to be expressed through political participation that is channelled by popular movements (trade unions and interest organizations of the handicapped are the most relevant to our discussion); definitely *not* through entrepreneurial creation of one's own job.

2.1 Integration and exclusion

¹⁰ Following the German Social Democratic tradition, Swedish Social Democracy has historically striven for the control of distribution only, while production was considered best left in the hands of the business community. (Abrahamsson and Broström 1980). The distinction drawn between production and distribution bears the stamp of the period, and verges on industrial physiocracy: only industrial production was considered 'production proper'. The productive aspect of services was not fully acknowledged.

The double-pronged drive to upgrade individuals to the (constantly rising) demands of the labour market, and to improve the market's capability to absorb and allocate labour, could never be fully successful: some individuals and groups would, despite the best of efforts, not be able to match the standard work capacity or skills that would make employing them for the standard wage economically feasible. A range of measures that conceptually remind of sediment-treatment techniques in an industrial flow system were developed, to check and reduce this category.

a) Aided integration through 'market correctives' in the mainstream labour market: Wage-supplement subsidies for disabled people were introduced to offset such employees' competitive disadvantage, and grants for the adjustment of individual working places were made available to employers. Strong and articulate organizations of the physically handicapped were able to act within the popular movement tradition, to drive forth active policies that effectively expand the labour market so as to include this group (primarily, physically handicapped and less-severely functionally handicapped).

b) Sheltered workshops: Mentally and functionally handicapped were less able to articulate demands and to design solutions, and fared less well. Those capable of regular work that nonetheless encountered difficulties in fitting in ordinary workplaces (due primarily to mental, intellectual or emotional insufficiencies) were accommodated through a countrywide network of sheltered workshops, that subcontracted simple assembly and packaging tasks from industry. The public authority, *Samhällsföretaget* (literally 'Society's Enterprise') was restructured 1980 and incorporated as a fully State owned joint-stock company under the name *Samhall*. The creation of this public system for work-integration, plugged the last breach in the state-business duopoly, and barred social economy organizations from any engagement in mainstream integration tasks or in job-creation.

c) The residual group: Those for whom no suitable employment could be allocated through public programs (primarily persons that for a variety of reasons cannot fit in a regular workplace regime) constitute an 'untreatable' sediment in the labour flow system that ought to be removed in order to facilitate flow. Towards this group, the Welfare State's function is reduced to the dispensing of welfare, through an array of institutional measures that range from long-term sick-leave through hospitalisation (institutional custody) to early retirement. Unlike unemployment insurance benefits, that are contingent on their recipient's disposability and willingness to take an offered job, inability benefits connected to such quasi-medical labels only assure basic income maintenance, and are contingent on their recipient *not* attempting to engage in an economic activity, thus effectively excluding such persons from 'the work line'. To some extent, early pension was also awarded to long-time unemployed that lacked realistic prospects of ever obtaining an employment. The tendency to do so varies between periods and regions¹¹.

To recapitulate¹²: the strong emphasis on mutuality and the *arbetslinjen*-ethos of self-help and integration through the mainstream labour market institutions contributed to the Swedish model's normative consistency and stability and paved the way for the emergence of a well functioning, dynamic labour market and of active policies of work integration and functional modification of work-places. At the same time, it also unwittingly cemented the marginalization of groups whose ability to 'help themselves' within the existing order was limited; that were neither able to articulate their own interests nor could fit the workplaces the economy generated.

2.2 Changing labour market policies

¹¹ Labour market considerations (Sw. *arbetsmarknadsskäl*) are no longer a valid reason for awarding an early retirement, and do not form an identifiable statistical category. Available data show however that the propensity to award early retirement is stronger in regions and in times with a weak labour market.

¹² This paragraph is based on Laurelii and Stryjan, (2002)

The Swedish Model was designed for a homogenous society, and assumed a continuous industrial expansion, in which productivity gains directly translate into increased demand for labour in growth sectors. Those assumptions, that were initially formed in the 40s, became increasingly untenable in a post-industrial economy, in which growth and investment were no longer linked with the creation of new jobs in industry. The previously well-integrated elements of labour-market policy started drifting apart, as it were, under the pressures of social and economic change. Business no longer generated a demand for traditional industrial manpower that the 'active labour-market policy' tools were designed to provide, while jobs in emerging industries posed skill demands that the traditional policy tools could not meet. In this increasingly selective labour market, the least 'attractive' groups tend, unavoidably, to be selected against, and form a growing sediment that silts up the active-labour policy's labour flows and increases the ranks of the permanently unemployable.

The public tools of integration, that were supposed to take care of those that the active labour-market policy failed to integrate, faced a different sort of crisis. The sheltered workshop system, now incorporated as a business enterprise (Samhall) whose sources of revenue were a state contract for set volume of workshop-places, and the revenues that the workshops generated, was caught between a declining volume of state commissions on one hand, and a shrinking market for its products on the other. Samhall's yearly grant was reduced by 14 percent in nominal terms in the course of the last decade¹³ with a further cutdown of 125 MSEK (roughly 15 M Euro) in 2003. Contracted employment volumes declined at a slightly steeper rate: from 33,6 to 28,5 million work-hours per year, respectively, with a projected cut to 27,5 in 2003¹⁴. At the same time, Samhall's market niche as a subcontractor (packaging, wiring, simpler assembly tasks) to large export industries, first and foremost in the telecom and IT branches, that generated a considerable revenue in the IT -boom period of the late 90s declined, as those industries entered a crisis period and/or relocated their production facilities to low wage CEES countries. Samhall attempts to offset this trend by diversifying into the service industry, were half-hearted and largely unsuccessful. Given the organization's industrial tradition, and the nature of the manpower employed, this outcome is hardly surprising.

An additional reason for the marginalization of Samhall, was the change in the composition of its target population, as new demographic and social groups that did not fit into Samhall's traditional workshop discipline joined the ranks of the marginalized:

- the former inmates of the now disbanded mental hospitals and institutions for the gravely mentally handicapped, that were relocated into mainstream society, but could not handle the demands of a structured work-place.
- Immigrant- (primarily refugee) groups, that increasingly form ethnic enclaves in the metropolitan periphery, that were by far too capable to fit into such a system
- Young persons (first and foremost secondary school dropouts) that never managed to enter the labour-market

The discrepancy between samhall's mission and the actual needs is best illustrated by figures: the number of persons totally excluded from the labour market (long-term unemployed are not included in this figure) was 488.500 in December 2002¹⁵. In comparison, Samhall employed merely 25 328 persons in 2001, and somewhat less in the two following years, i. e. about five percent of the target population.

Samhall's ongoing downsizing provides a clear signal of (central) state's changing orientation, and a growing insight that exclusion is not primarily a labour-market issue, to be resolved by

¹³ from 4960 million SEK in 2002, to 4262 MSEK in 2002. The rate of exchange between the SEK and the Euro fluctuated in the range of 8-9,5 SEK per Euro throughout the period. Exchange rates and price-levels are only indirectly linked, and a direct conversion can be misleading.

¹⁴ *Dagens Nyheter's* economic pages, 18 Jan 2003.

¹⁵ *Dagens Nyheter* daily, 21 Dec 2002

centrally steered labour-market policy tools. It should instead be perceived as a social problem, to be handled by local society and its central social, political and economic actors. Trivial as this insight may sound, it signals a profound figure-ground reversal in Swedish social policy. Thus, in parallel with the decline of Samhall, that signalizes a diminishing *direct* central involvement in integration measures¹⁶, resources were channelled into new approaches to the problem. A growing portion of the responsibility for problems of exclusion, as well as for designing solutions to combat it, is shifting to local government, and the local branches of the central authorities. This segment of the public sector will be reviewed in section 2.3, below.

2.3 The changing role of the public sector

The Swedish public sector traditionally dominates the fields of welfare and labour market policy. The way the two fields are managed has been subject to a series of reforms from the 90s and onwards. The objectives of these reforms were twofold:

- a) introducing welfare pluralism into the sector
- b) redrawing the boundaries between the fields of competence of the two levels of local government, and between these and the state.

The road to welfare pluralism proceeds, in the Swedish case, from a virtual public monopoly on most welfare services and all labour market measures towards a somewhat decreased involvement of the public sector; the opposite direction to that pursued by Southern European countries. Further, pluralism, in this country, applies rather to the actual production of services, *not to their financing*, that remains an exclusively public prerogative. Since alternative forms of financing (donations and fees) are not perceived as legitimate, and do not provide taxation breaks, public financing will remain a central factor in the foreseeable future.

The public sector's specific structure and mode of operation deserve some attention: while highly bureaucratic, the sector never crystallized into a single strong hierarchy¹⁷. The national level is split between relatively small ministries and largely autonomous national authorities and boards. There are two-tiers of local government: counties and municipalities, each with its own elected assemblies and independently set income tax. Parallel to these, the government and national authorities branch down to agencies at county, and in some cases municipal level.

While each of these (sub) systems has a fairly rational own structure and reasonably defined tasks and responsibilities, there is no clear order of precedence between these, and their fields of activity at any given level criss-cross and overlap. All levels enjoy a substantial degree of discretion in interpreting and implementing central directives. The health and welfare reforms of the 90s (first and foremost the so-called *Ädel* and *Psyk-ädel* reforms) considerably reduced (central) state's involvement in health, education and welfare, downsizing central agencies, closing down large institutions, and divesting much of the remaining responsibilities to local government, first and foremost the municipalities, that also took over some of the residence-related care tasks previously handled by the county councils. Even after this streamlining, the field still remains quite fragmented between the largely municipal social care and rehabilitation services, medical care at county-level, and the national labour-market authorities. At present, most acute medical and psychiatric care and some rehabilitation are managed and financed by the county authorities; income maintenance during illness is managed by the local branch of national health insurance; disability pensions and early retirement are in the charge of the national insurance's central authority (and not the local insurance offices, though these have a considerable say in the labelling of individuals as permanently disabled); psychiatric care, as

¹⁶ A parallel development, which will not be discussed here, can also be observed in the Labour-Market Board (AMS), that manages the mainstream tools of labour market policy.

¹⁷ Gillet de Monthoux (1990) labels this institutional arrangement 'the soft state'.

well as social care are largely run and financed by municipalities; etc. A rough mapping of the various organs that are active in this field will be presented in figure 1, below:

One effect of this labyrinthine web of organizations, entitlements and obligations, is to reduce to passivity less well adjusted individuals that come in contact with it. The situation also rewards opportunistic re-classification of clients by social care organs (thus, for instance, the discharge of a mental patient shifts the cost of follow-up care from county to municipality; the reclassification of a sick-leave to disability pension yields short-range budgetary benefits and reduces administrative costs for the local social insurance organs, while increasing the long-range budgetary load on the central insurance organs, and so forth).

Figure 1: authorities active in the fields of labour, care and integration

	Government, policy-guidelines	Labour-Market	Health care (acute)	Rehabilitation, home care, addiction, social housing, social care	Social policy directives	Early retirement Illness benefits, etc	
National	Appropriate ministries (labour, health, social affairs)	Labour-Market Board, <i>AMS</i>	Association of County Councils* <i>Landstingsförbundet</i>	Association of municipalities* <i>Kommunförbundet</i>	Social Policy Board, <i>Socialstyrelsen</i>	National insurance board	Assoc of insurance offices*
County	County governor & county board	County Labour Board, <i>Länsarbetsnämnden</i> Labour market institute (<i>AMI</i>)	County councils			County insurance boards	
Local		Employment offices		Municipalities		Local offices	

* the organizations marked with an asterisk are interest organizations representing local constituent organizations. They do occasionally co-initiate or co-finance projects in the field of care and integration.

The ‘processing’ of an individual through the labour and welfare systems, towards exclusion through a quasi-medical labelling (disability pension, etc) is a sequence of decisions taken independently by separate authorities, that ‘pass on’ the individual from one to another. In the course of this journey, income support is made conditional on withdrawal from the labour market, to and hindrances are created to preclude any attempt to return to work. Inasmuch labour-market authorities only deal with returning *registered* unemployed to work, while social care officers lack facilities (and, indeed, the mandate) to direct excluded individuals back to work, the path has only one direction. The progressive increase in the ranks of the early retired needs not be a product of conscious design. It may instead be seen as an unintended consequence of rules that turn early retirement into an institutional trap that is much easier to construct than to reverse.

A growing insight that the root cause of labour market exclusion is the lack of appropriate coordination between various authorities that operate in the field (SAMVERKAN 2000), motivates an active search for ways to improve the situation. Traditionally, coordination between Swedish authorities was managed through contacts between the *top* levels of various bureaucracies, in which a new, common ‘optimal’ set of regulations is negotiated. However, the creation of a new institutional path that would lead out of exclusion and back towards employment is a matter of forming a new praxis, rather than of introducing additional regulations, and of dissolving the demarcation lines between authorities, rather than of modifying them. Innovative implementation and adaptation of existing rules, and new ways of utilizing the existing resources, require a cooperation that focuses on the local level, with public authorities in the role of potential partners and (co-)financing sources, rather than of arbiters of policy. The developments of the last decade in the field of rehabilitation and labour market integration open new **arenas**, introduce new **norms**, empower new **actors** that make such cooperation more likely, and open the field for new **organizational solutions**. Some of the central features of the emergent order are summarized in figure 2, and discussed in more detail lower down in this section.

Figure 2: Changing models of lateral coordination in the Swedish public sector

	Traditional model	Emergent model
Actors	Top levels (of respective bureaucracy)	Local level administrators; practitioners, brokers (often from the social economy), new organizations
Arenas	Committee or discussion forums	Partnerships, local initiatives, networks, generally on municipality level, often facilitated by broker/entrepreneur
Rules	Interdepartmental negotiations, departmental budgeting routines.	Exchanges formalised as economic transactions, partnerships, matching-financing arrangements.
Outcomes	New regulations, accounting systems etc, often added to old ones.	New organization forms

Arenas: An important result of the reforms of the 90s is the emergence of the municipal level as a promising, structured ground for cooperation. The reforms that linked most aspects of care for ‘medically labelled’ excluded persons (e.g. drug addicts or former mental patients), to the person’s municipality of residence, provided a powerful stimulus for integration. Different aspects of care that were previously split among a plethora of organizations, at state and county level, were now gathered under a single institutional host, that also was bestowed with a considerably extended autonomy¹⁸. Moreover, municipalities have a direct stake in improved cooperation, as they bear a large part of the costs of rehabilitation and integration- but also stand to reap most benefits from successful rehabilitation. The emergence of excluded ethnic enclaves in the metropolitan regions (SOU 1996:54), whose inhabitants are often directly reliant on municipally financed social care, further motivated the municipalities to seek and actively promote cooperation with other agencies. Some municipalities engaged in the creation of their own, municipal solutions (e. g. through the creation of municipal

¹⁸ As is often the case with reforms of this type, municipalities’ expanded responsibilities were not fully covered by appropriate financing. Instead, former earmarked grants was replaced by block funding to broaden municipalities’ freedom of action.

corporations), while others opened their 'local turf' for new actors, such as social co-operatives or voluntary organizations

Rules: two forms of lateral cooperation across sector boundaries and departmental divides win increasing acceptance within the public sector, namely partnerships and joint projects. The high degree of discretion that various authorities and their branches enjoy, makes PPP (public-private partnership)-models both attractive for- and highly applicable to public actors as well. Virtually any of the actors listed in figure 1, earlier in this section, may now enter a partnership with any other(s) if fields of common interest are identified. Such partnerships may also include private actors proper, but need not do so. Indeed, public-public partnerships are quite frequent. The same applies to projects, which often span different parts of the sector, though with one important modification: partnerships within the sector generally rely on (and reallocate) available budgetary resources, while intra-sectoral project-formation is often stimulated by potential availability of additional project funding, by the state, or, increasingly, by the European Union.

The diffusion of New Public Management models provides administrative tools that facilitate transactions and flows of funds between (sub)sectors of public bureaucracy, and has (at least in the present stage) increased flexibility- encouraging lateral contacts and coalition formation. It also blurred the distinction between public, private, and voluntary actors. The availability of EU financing has opened new channels for mobilization of resources that are less controlled by the political centre, shifting the balance between central policy measures and local initiatives, to the advantage of the latter. The fact that in natura voluntary contributions may, under these rules, be leveraged by a matching financing enhances the bargaining position of voluntary organizations in negotiating forth emerging partnerships.

Actors: as noted above, all units within the **public bureaucracy** may engage in independent action within their (loosely defined) areas of competence. Current developments also opened the field of employment and integration measures for a re-entry of **social-economy actors**, that were not allowed to engage in labour market issues throughout the Post-War period. The networking skills developed by these organizations throughout the period, as well as the practical experience gained in work with problem groups (problematic residential suburbs, the young unemployed, and immigrants; see SOU 1996:54 and Stryjan and Wijkström, 2001) and with 'non-job' solutions, became an important asset in the new situation. Social economy actors (first and foremost Cooperative Development Agencies) primarily engage as *brokers*, that connect other actors and help to mobilize coalitions around new initiatives. They also provide assistance to initiatives by **the excluded themselves**. The broker role is, to some extent assumed (or aspired to) also by Samhall, that attempts to develop a consulting arm, which could capitalize on the organizations considerable experience, and generate additional revenues for the corporation.

New organizational solutions: the general blurring of the traditional boundaries between public, private and social-economy actors and fields of activity leads to the emergence of hybrid and boundary-spanning organization forms. Thus, Samhall is increasingly outsourcing of its core activity (of employment and rehabilitation) to other actors. Municipally-owned quasi-commercial ventures that offer training, rehabilitation and work-integration services to labour-market authorities (and to Samhall) emerge in municipalities¹⁹. An outstanding illustration of the conceptual and legal complexity of the solutions developed is provided by the Nordanstig municipality (in northern Sweden), that outsourced its labour-market department to a cooperative association that was formed by its two former labour-market officers together with one long-term unemployed. Among other initiatives and commitments,

¹⁹ See, e g www.CLL.karlskoga.se

the association also employs a group 'contracted out' by Samhall. Eventual profits are shared between the municipality and the cooperative.

The realignment of Swedish Labour-market- and integration policy involves labour market-, municipal-, and social authorities, in new roles and capacities, and opens the field for new organizational solutions, and for the entry of new actors.

An important role in this process is played by organizations in the social-economy, first and foremost within the CDA (cooperative development agency) system, that act primarily as knowledge brokers, that

- design and/or diffuse new organizational models,
- mobilize potential financing organs
- facilitate the formation of supporting coalitions and partnerships between them
- handle in some of the cases the recruitment and schooling of participants

contributed to the emergence of..

Rather than integration or "job creation" in the narrow sense, the initiatives developed to reach those excluded from the labour-market are often geared to create a blend of regular jobs and, "non jobs", that are carried on voluntary basis, often within emergent small businesses. The growth pattern followed is, generally, that of *proliferation*, rather than of *expansion* (cf. Stryjan and Wijkström, 2001), i.e. facilitating the formation of additional new organizations, in emerging fields, rather than expanding and diversifying established ones.

The process of transformation of the Swedish health, welfare and labour market sectors from a monopolist 'public sector' to a more pluralistic configuration gained momentum in the 90s and has not been completed as yet. While it is possible to suggest a convergence around a broadly defined model of welfare pluralism, the direction in which this process unfolds in Sweden is different from that in many European countries, for the simple reason that the starting point was highly different. The strong position of the state, the absence of (and aversion to-) a tradition of charitable action, and the strong emphasis on self-help and mutuality define the important actors and the range of alternatives being developed. For the time being, development proceeds towards increasing diversity, and the testing of new solutions, rather than towards selection, standardization and institutionalisation of a handful of models. The diversity of rules and routines between municipalities, differences in the local implementation of regulations, even within national authorities, and the deep-seated resistance to harmonize these, are important factors behind this diversity.

Some of the main forces (re)shaping the field are:

State involvement: a growing awareness that new solutions are called to handle the problem of labour-market exclusion have led to an effort to increase the flexibility of the rule system, to lower the thresholds (in a recent legislation) for the return to the labour market of those excluded, and to increase cooperation between authorities. The mainstream public policy solution of the earlier period- the network of state-run sheltered workshops Samhall - is presently being scaled down. A part of the human resources of Samhall is consequently diverted to consulting tasks, assisting other actors (primarily municipalities) in developing their own solutions.

Municipal involvement: historically, care for the excluded and its financing were split between various levels of local and central government (thus, the now defunct large psychiatric institutions were run and financed by the state, that also provided for the inmates' subsistence, large portions of home-care were provided by county councils, etc). Local government reforms from the late 80s and onward divested both organizational and budgetary responsibility for services to excluded groups to the municipal level. Consequently, both care and rehabilitation for the excluded *and* the budgetary responsibility for the outcomes of rehabilitation are now

deposited, for the first time, in one and the same authority. Being new to the task, municipalities were also considerably more open to untraditional solutions.

Diffusion of models: occurs both nationally and internationally. Thus, the community enterprise model owes its emergence to impulse from Scotland. Important influences from Italian drug-addict rehabilitation collectives were explicitly incorporated in Basta (Hansson and Wijkström, 2001), and provided more indirect inspiration in other cases. At the national level, the two models are primarily promoted by the association of community businesses and by the Social Cooperative Project respectively, and by the Cooperative Development Agencies. For the time being, it is impossible to talk of explicit competition or animosity between the practitioners and proponents of the different models.

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