

# NOT JUST FOR SWEDES

## UNIVERSAL WELFARE IN SWEDEN'S INTERNATIONAL DEVELOPMENT COOPERATION

### The interest in social protection in development policies is growing.

Many countries in Asia, Africa and Latin America are in the process of establishing various forms of social cash transfers, such as old age pensions and child grants. Sweden, with its history of a strong and inclusive welfare system, now has a significant opportunity to share its experiences with other countries. The Swedish social security system is largely characterised by the fact that it gives all citizens access to child grants, basic old age pension, subsidized healthcare and free education. This is sometimes referred to as the “universal welfare model” (literally the “general welfare model”).

Unfortunately, Swedish experiences are currently not voiced in the international development cooperation dialogue. The objective to promote universal welfare has long been lacking in policy documents guiding Swedish development cooperation, with the exception of Sweden's Policy for Global Development from 2002.

### Alternatives to universal social protection

There are two ways of limiting the number of beneficiaries in social security schemes:

- The schemes are *means-tested*, i.e. they are only aimed at particularly vulnerable groups, often those with low incomes, landless people or those who are living with HIV. (*Means-testing* is often used as a synonym to targeting.)

- The schemes are *conditional*, in that they are only paid to households that meet certain requirements, such as school enrollment and vaccination for the children.

### Rationale for universalism

It is a common perception that the most effective way of supporting people living in poverty is to provide social protection and services that are targeted specifically at them. Intuitively, this seems like a logical approach, based on the fact that public resources for social protection are always limited. However, lessons learnt – not least from Sweden's history – show that tax revenue for welfare increases when the public trust in the systems grows.<sup>1</sup> There are therefore strong indications that universal social protection reduces poverty more effectively than targeted systems – even in low- and middle income countries.

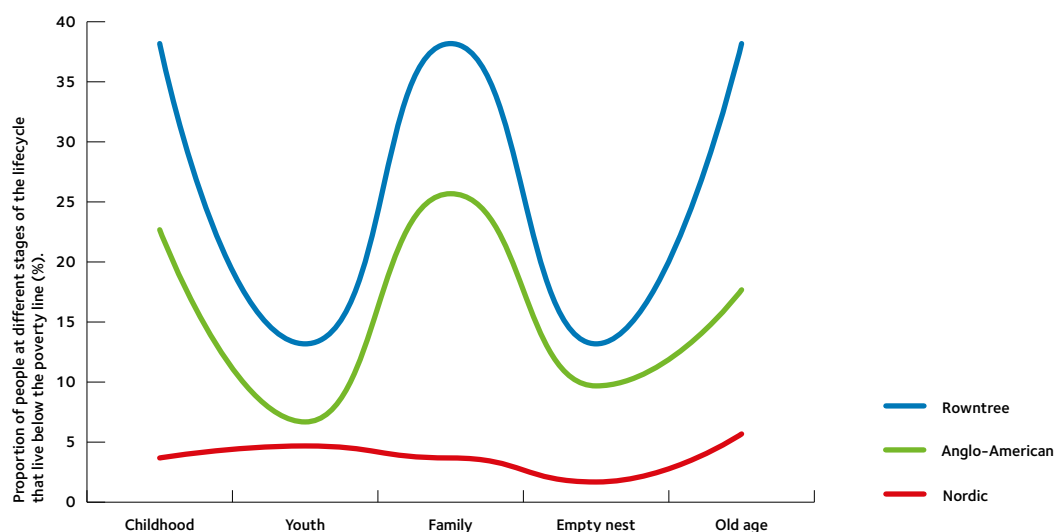
### Greater willingness to pay if the middle class is included...

In a long-term perspective, it is crucial that social protection is aimed at everyone in society. The willingness of the middle class to pay the taxes required to finance social protection arises first when they themselves are included and benefit from the system.

<sup>1</sup> For an overview of this research, please see: *Det gemensamma – Om den svenska välfärdsmodellen* (What we have in common – about the Swedish welfare model), Irene Wennemo, Premiss Förlag, 2014. *Har den nordiska modellen sin mest lysande framtid bakom sig?* (Is the brightest future for the Nordic model in the past?), Joakim Palme, Uppsala University.

### Social protection programmes with universal elements in low- and middle income countries

Many social transfers that have been introduced in low- and middle income countries are targeted, although some have universal traits. Bolsa Família in Brazil is a targeted and conditional family allowance that reaches just under 14 million vulnerable households, and Programa de Subsídio Social Básico (PSSB) in Mozambique is a cash transfer programme that currently reaches about 300,000 of the poorest households. Although these programmes are targeted at specific groups, they have a broad aim and reach a large part of the population. Similar programmes are running in Tanzania, Zambia, Ghana and Kenya. In contrast with Latin America, the majority of social transfers in Africa are not conditional, meaning that the recipient do not need to meet any requirements (other than a certain income threshold) to receive the benefits.



#### MODELS FOR LIFECYCLE-BASED SOCIAL PROTECTION

The figure shows how the relative poverty rate changes over a lifecycle in the Nordic welfare model and in a more liberally inspired welfare model. For comparative purposes, the relative poverty rate in York at the end of the 1800s is also stated (retrieved from a classic sociological study of lifecycle-based poverty by Seebohm Rowntree from 1901). The highest poverty rate occurs in the most vulnerable phases in life: childhood, early parenthood, and old age. The curves show that the universal Nordic welfare model evens out lifecycle-related poverty, in contrast to the much more poverty-focused Anglo-Saxon model. The Nordic model also reduces the overall poverty level more effectively. Source: CMI (2014) *A Recipe For a Better Life: Experiences From the Nordic Countries*: Helsinki: CMI, p 10.

### ...and therefore more efficient at reducing inequality and poverty

Since the willingness of the middle class to pay taxes is greater for universal welfare systems, these are – contrary to common belief – often more redistributive than targeted systems. Universal systems generally have a larger budget than targeted systems and are thereby more redistributive in *absolute numbers*, although the targeted systems are more redistributive when *calculated as a percentage of the spending*. Or expressed differently: the more we target benefits exclusively to the poorest, the lower the actual amount of the benefits will be, and the less helpful they will be in lifting people out of poverty. Sociologists have called this phenomenon *the redistribution paradox*.

*“Benefits meant exclusively for the poor, often end up being poor benefits”*

Amartya Sen, economist and philosopher

### No costly means-testing

Another advantage with universal welfare systems is that they do not require any assessment of individual income and assets. Such means-testing is costly and puts pressure on the administrative capacity of the implementing authorities. The criteria for the assessments are also often politically controversial.

### Minimising exclusion errors

Targeted social protection systems always risk excluding groups of poor people, due to lack of capacity in the means-testing, abuse of power and corruption within the implementing agencies. Universal systems are the most reliable and transparent way of reaching all people.

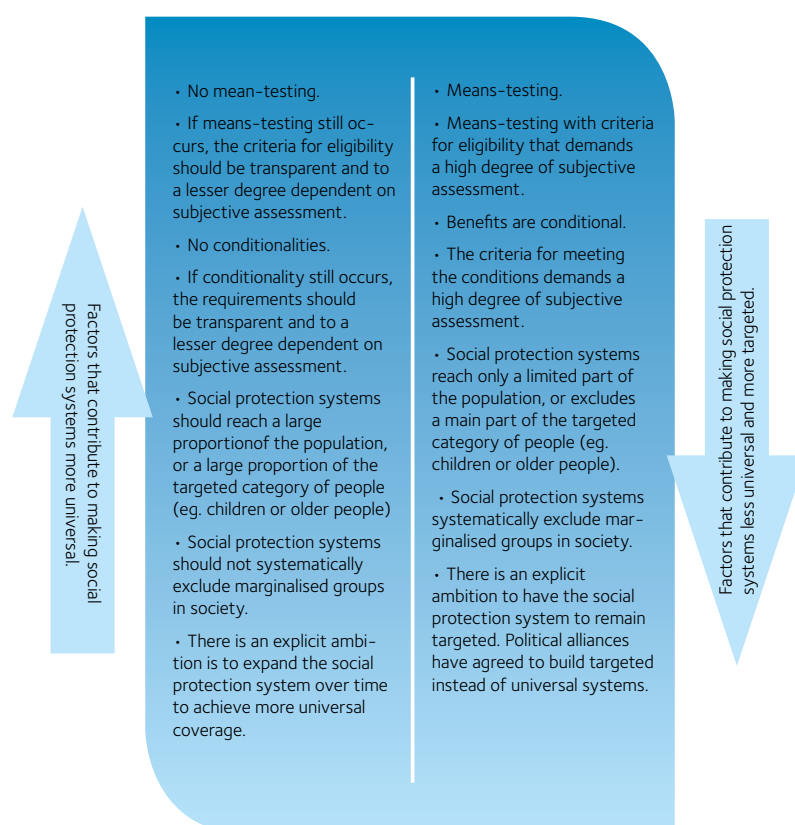
### Human dignity and social cohesion

#### – no stigmatisation

The social stigma that may arise in poverty targeted systems can be avoided in universal systems. Means-testing is often perceived as humiliating for the people that have to undergo poverty assessments. Targeted systems may also impair social cohesion between individuals and groups. Selecting the poorest people in communities where almost everyone is needy may lead to conflicts between those who receive benefits and those who do not.

### Conditionality may disqualify people living in poverty

The advantage of conditional cash transfers can also be questioned. In order to reduce poverty it may seem rational to support children’s schooling and vaccination through conditional cash transfers. However, such conditions may in fact mean that the most vulnerable groups are excluded, especially in rural areas where access to adequate schools and clinics is unreliable.



Social protection systems can be universal to various degrees. The figure shows some of the central factors that make the systems more or less universal.

### Targeting within universalism

Despite the strong reasons for universal welfare systems, it is necessary to supplement them with certain forms of targeted support to those whose needs cannot be covered by general social protection. This may comprise assistance to people who have a long-term illness or a disability or who are unemployed, where some form of assessment is necessary.

The categorization of universal or targeted welfare is therefore not clear-cut. Welfare systems can be universal to varying degrees. A system is more universal if:

- It lacks, or only has minor elements of, means-testing and conditional allowances.
- It reaches broad groups (it has a broad coverage).
- It does not exclude marginalised groups.

Systems are highly targeted when they are based on means-testing, when they are conditional, when they reach a small proportion of the target group or exclude marginalised groups.

Basic public services such as schooling, health care and elderly care can be understood in a similar way. In order for a school system to be universal, it should not be based on fees that exclude children from impoverished households. Social services should also maintain an acceptable level of quality, irrespective of where you live.

### Make use of Swedish lessons

The Swedish experience shows that strategic decisions in the early development of social protection systems may have a long-term impact on their design. At this time, when many countries are expanding their social protection systems, there are therefore reasons to share Sweden's lessons from building a universal welfare model.

Raising the idea about universal welfare in Sweden's development cooperation is not a way of putting new demands on low- and middle income countries, or about advising against all forms of targeting. However, Sweden should draw attention to the benefits of universal welfare in the development cooperation dialogue. Targeting the

most vulnerable groups will sometimes be inevitable due to budget restrictions. In that situation, a strategy to gradually expand the systems to include the whole population should be considered from the beginning.

There are also reasons to be more active in the policy debate in global institutions such as the UN and the World Bank, where Sweden can support countries that are in the process of establishing universal social protection systems.

Social protection systems have been highlighted in Agenda 2030 as a key tool for achieving five of the goals: no poverty, health and well-being, gender equality, decent work and reduced inequalities.<sup>2</sup> The goals are global and apply to all countries. Agenda 2030 gives Sweden an

## AGENDA 2030

### Goal 1: End poverty in all its forms everywhere

*Target 1.3: Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.*

additional reason to share lessons from universal welfare policies and practices, and to learn from others. By doing so, Sweden can contribute more effectively to decrease poverty and strengthen human dignity.

<sup>2</sup> Agenda 2030 goal targets 1:3, 3:8, 5:4, 8:5, 10:4.

This policy brief is a summary of the Church of Sweden report *Inte bara för svenskar – om generell välfärd som mål i Sveriges utvecklingssamarbete*. 10:2015.

(Not just for Swedes – Universal welfare and Swedish development cooperation. English translation forthcoming)

#### FOR FURTHER INFORMATION PLEASE CONTACT:

gunilla.palm@svenskakyrkan.se

gunnel.axelssonnylander@svenskakyrkan.se

Church of Sweden works together with local churches, development organisations, networks and other civil society actors in humanitarian assistance, long-term development cooperation and policy dialogue and advocacy.

Church of Sweden is a member of ACT Alliance, a global coalition of 140 churches and faith-based organisations working together in over 100 countries to create positive and sustainable change in the lives of poor and marginalised people, regardless of their creed, gender, sexual orientation, race or nationality or political and religious affiliation.

#### SVENSKA KYRKANS INTERNATIONELLA ARBETE

**POSTADRESS:** 751 70 Uppsala

**TELEFON:** 018-16 96 00

**E-POST:** info@svenskakyrkan.se

**PLUSGIRONUMMER:** 90 01 22-3

**BANKGIRONUMMER:** 9000-1223

[www.svenskakyrkan.se/internationaltarbete](http://www.svenskakyrkan.se/internationaltarbete)