

# Poverty in Sweden 1991-2015: A Regional Perspective<sup>#</sup>

*Lovisa Broström<sup>‡</sup> & Daniel Rauhut<sup>\*</sup>*

## Abstract

Since the late 1990s the share of households as well as the share of population receiving social assistance in Sweden has decreased. Parallel to the decreasing trend in the three metropolitan regions, rural and peripheral regions have experienced the opposite development. As a majority of the Swedish population resides in the three metropolitan regions, a decline in demand for social assistance in these three regions will impact the national trend.

This paper aims at discussing the demand for social assistance and its drivers at a regional level. We argue that the policy changes with an impact on poverty during the analysed period must have had different impacts in different parts of Sweden.

The findings indicate that during the last decade, a majority of the jobs created in Sweden, both in the public and private sectors, have been created in or around the three major cities. The government policies have stimulated growth and economic expansion in the three metropolitan regions, i.e. the reforms to create more jobs have had different outcomes in different parts of the country. The three metropolitan areas have also benefitted from financial investments, tax reductions and subsidies. The increase in job-opportunities in the metropolitan areas has created a widening employment gap in Sweden. Again, this process is displayed in the regional social assistance statistics.

JEL codes: I32, E24, R11, Z13

Keywords: Poverty, Regional development, job creation, metropolitan areas, rust belt

## 1. Introduction

Sweden since the 1990's has seen an extensive economic change. With new groups that end up outside the labour market and the welfare system are often portrayed as outsiders. Retrenchments in the welfare state on different levels have occurred at the same time as the work condition to be entitled to social insurances has been more emphasized. From being one of the most economical equal countries the economic inequality has been raised fastest in the world (Waldenström 2009). Sweden however started from a very low level of inequality (OECD 2011).

During the campaign for the Parliament election in Sweden 2014 poverty was on the political agenda. The *Red-Greens* (Social democrats, Left Party and Green Party) claimed that the number of persons receiving social assistance has increased after the *Alliance* (Conservatives, Christ Democrats, Liberals and Centre Party) has been in office for eight years. The *Alliance* claimed that the share of

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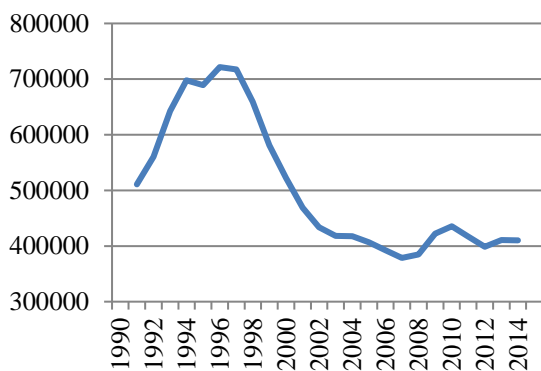
<sup>‡</sup> University of Gothenburg, Dept. of Economic History, [lovisa.brostrom@econhist.gu.se](mailto:lovisa.brostrom@econhist.gu.se)

<sup>\*</sup> University of Eastern Finland, Karelian Institute, [daniel.rauhut@uef.fi](mailto:daniel.rauhut@uef.fi)

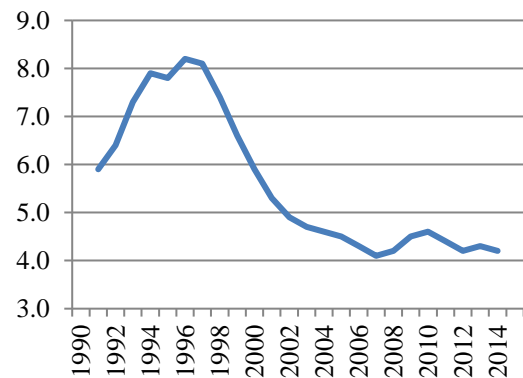
recipients of social assistance has decreased during their time in office (Axén 2014) The official statistics reports only marginal changes in the need of social assistance for the period 2006-2014 (diagram 1), regardless for the number of persons receiving social assistance or the share of social assistance recipients.<sup>1</sup>

At the national level the demand for social assistance decreased 1997-2007 and has then fluctuated with the business cycle; such fluctuations can be expected (e.g. Broström 2015). If the demand for social assistance is analysed at a regional level, a completely different pattern is however displayed. The three regions hosting the three largest cities in Sweden display a dramatic decrease in the demand for social assistance after 1995 (Stockholm, Västra Götaland and Skåne); small and peripheral regions display an increase (e.g. Jönköping, Kronoberg, Kalmar, Blekinge, Värmland, Gävleborg and Västernorrland (table 1). The increasing divergence in regional demand for social assistance has not gained any attention in media nor in the scientific community.

**Diagram 1:** Social assistance in Sweden 1991-2014  
a The number of recipients



b Recipients as a share of population (per cent)



Source: National Board of Social Welfare

In the early 1990s, Sweden went through an economic crisis, which hit rural and peripheral regions particularly hard. In many peripheral regions almost half of the jobs in the traditional industrial sector disappeared as have many of the jobs in agriculture and forestry; the number of jobs in the service sector has however remained relatively stable over the same period (Rauhut & Kahila, 2008). The mismatch has increased on the labour market during the last 10 years, followed by an increased unemployment (Arbetsförmedlingen 2015a).

<sup>1</sup> In the official statistics on social assistance all persons who have had the need for social assistance are included. No information is given if the need lasted one month or the whole year. Furthermore, no information is provided on to what extent the need for social assistance was as an income supplement or as the only source of income.

**Table 1** Social assistance recipients as a share of population 1991-2014. Percentage.

Region	1991	1995	2000	2005	2010	2014
Stockholm	7,0	8,5	5,9	4,5	3,7	2,7
Uppsala	5,8	7,9	5,7	3,9	4,1	3,8
Södermanland	7,5	9,5	7,7	5,6	7,2	7,1
Östergötland	6,2	9,5	6,6	4,9	5,9	5,8
Jönköping	5,2	7,1	5,1	4,3	4,9	4,9
Kronoberg	5,0	6,4	4,5	3,7	5,0	5,0
Kalmar	5,5	7,5	4,9	3,8	4,0	3,4
Gotland	6,6	7,9	6,4	5,1	4,5	4,3
Blekinge	5,3	7,2	4,2	3,1	3,9	4,2
Skåne	6,3	8,5	7,3	5,3	5,1	5,2
Halland	4,5	6,4	4,8	3,0	2,8	2,6
Västra Götaland	6,0	8,4	6,5	4,8	5,0	4,7
Värmland	6,1	7,3	5,3	3,8	4,5	4,6
Örebro	6,2	7,8	6,5	4,9	5,6	5,0
Västmanland	6,7	9,0	6,4	5,9	6,3	5,3
Dalarna	5,1	7,0	5,2	4,5	5,3	5,3
Gävleborg	6,2	6,7	5,6	4,7	6,3	5,8
Västernorrland	4,7	7,0	6,0	5,1	5,0	4,5
Jämtland	6,0	7,8	5,3	4,1	4,3	4,0
Västerbotten	5,4	7,2	5,1	4,6	4,5	3,4
Norrbottn	4,8	6,2	4,3	3,9	4,0	3,0

Source: National Board of Social Welfare (2015).

The correlation between unemployment and the need for social assistance is well-known (Stenberg 1998, Palme & Stenberg 1998). Unemployment is however unevenly spread over the country; the unemployment has gone down in the larger cities, while it has been stable or increased on the countryside and in the smaller cities. When the baby-boomers from the 1940s leave the labour market, the largest share of them will leave in rural and peripheral areas (Arbetsförmedlingen 2013). This kind of ‘ageing’ shocks at the regional labour markets will generate further matching problems and a high unemployment rate will prevail in these regions (Arbetsförmedlingen 2015b; cf Kahila & Rauhut 2012). Regional heterogeneity in labour market behaviour may significantly alter the consequences of ageing for any particular region. The labour force in the Nordic regions outside the metropolitan areas is relatively older. Also out-migration of young adults makes the population ageing faster. (Dall Schmidt et al. 2014).

A number of policy reforms and how these have led to a reduction of poverty in Sweden 1990-2015 will be discussed in this chapter. In order to deal with an increasing number of unemployed, mainly persons with an immigrant background and youngsters and with regional disparities at the labour market the *Alliance* government launched several policy reforms to get more persons into the labour market and these reforms will be discussed here. The period 2006-2014, when the Alliance was in government, is characterised by efforts to get persons into work; several reforms aimed at reducing the number of persons living on welfare. Traditionally, it has been argued that such cut-backs would lead to an increasing number of persons on social assistance (Salonen 1997), but as displayed in

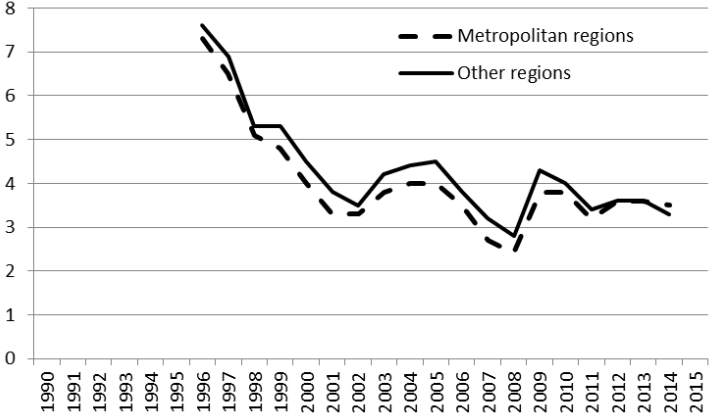
diagram 1 this has not happened. Furthermore, the implications of abandoning the traditional regional policy – which aimed at levelling out regional imbalances also at the labour market – will also be discussed in order to illuminate the underlying mechanisms behind the falling need of social assistance in Sweden 1990-2015.

This paper aims at discussing the demand for social assistance and its drivers at a regional level. We argue that the policy changes with an impact on poverty during the analysed period must have had different impacts in different parts of Sweden. Hence, it is important to include this aspect in a discussion on drivers and trends in the demand for social assistance.

## 2 The Relationship Unemployment and Social Assistance

Several studies have shown a correlation between unemployment and the need for social assistance at the national level (Stenberg 1998, Palme & Stenberg 1998). No studies on the correlation between the regional unemployment rates and the regional share of persons on social assistance is made to our knowledge. It would therefore be possible to assume that the same correlation exists at a regional level. The development of the need of social assistance at a regional level would then mirror problems with unemployment. We will however not do such assumption in this paper. These studies are about 20 years old and much has happened since then.

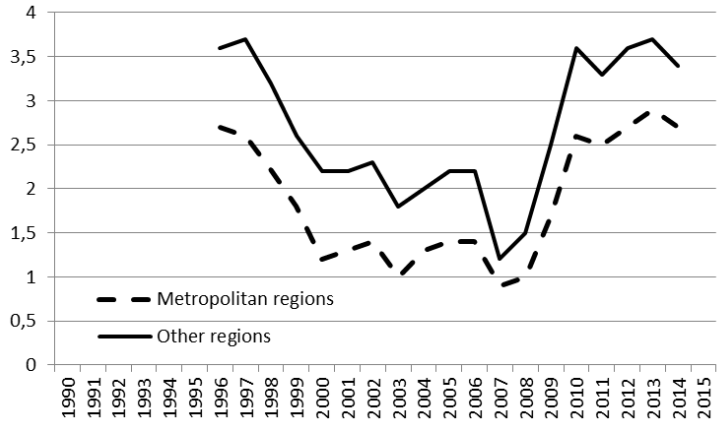
**Diagram 2** Open unemployment 16-64 years 1996-2014. Metropolitan and other regions.



Source: Own calculations from SCB/AKU.

We will provide a simplified analysis on this issue in this paper. When comparing the open unemployment for the three metropolitan regions in Sweden to the rest of the country, only marginal differences exist (Diagram 2), but when the persons who have been unemployed so long that they have ended up in labour market schemes a significant gap between the three metropolitan regions and the rest of the country emerge (Diagram 3).

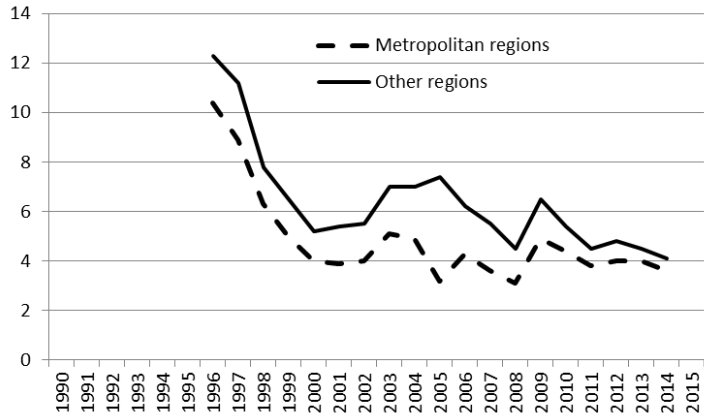
**Diagram 3** In labour market schemes 16-64 years. Metropolitan and other regions.



Source: Own calculations from SCB/AKU.

Open unemployment among persons 18-25 years old display higher levels in the rest of Sweden relative the three metropolitan regions (Diagram 4). Again, the three metropolitan regions and the rest of the country displays a significant gap when the share of persons 18-25 years old in labour market schemes is analysed. Similar findings are identified in previous research. Regional labour markets with an overrepresentation of labour in their 50s block employment possibilities for youngsters. This is especially problematic in small peripheral labour markets (Kahila & Rauhut 2012; Mitze et al 2015; Arbetsförmedlingen 2015b).

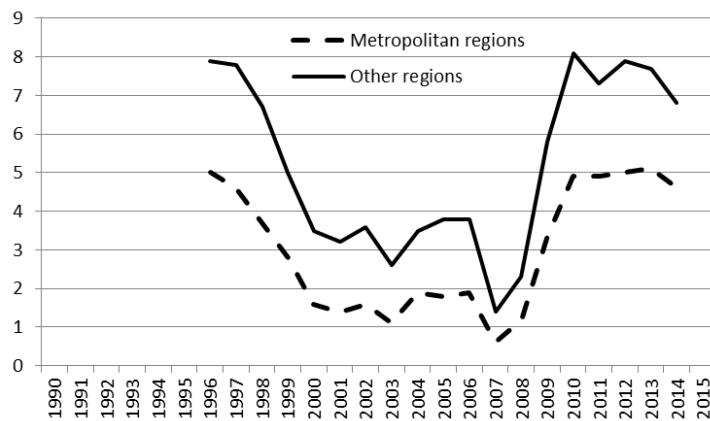
**Diagram 4** Open unemployment 18-25 years 1996-2014. Metropolitan and other regions.



Source: Own calculations from SCB/AKU.

When a simple bivariate correlation between the regional relative unemployment rate and the regional share of population on social assistance is made for each region, covering the period 1991-2014, none of the coefficients are statistically significant (See appendix). Apparently, unemployment cannot explain the need for social assistance at a regional level as previous research has at an aggregate level.

**Diagram 5** In labour market schemes 18-25 years. Metropolitan and other regions.



Source: Own calculations from SCB/AKU.

### 3. A debate astray

As Sweden became an EU member in 1995 some of the traditional tools and regional support strategies used were thus simply not compatible with the EU competition rules (Slot 2013; Milstein 2015). The introduction of the regional growth programmes in 1998 demarks the shift in regional policy in Sweden: from traditional regional policy to a growth policy focusing on competition (Foss et al 2004). The regions themselves formulate their problems and challenges and how to overcome them. An increased political influence for the regions is combined with the economic resources of the EU, which, it is assumed, will increase the possibilities to address the problems in an appropriate way (Tillväxtanalys 2013).

Traditional sector policy on regional policy was considered unable to solve the problems it was supposed to solve (Berglund & Holmberg 2000). A new regional policy was introduced in 2001, in which regional policy should be included in other policy areas and not constitute a policy field of its own anymore (ITPS 2005). Cooperation and coordination between government authorities and existing policies were supposed to be more efficient in solving the problems regional policies traditionally aimed at to solve (Näringsdepartementet 2000). The new cornerstones are regional efforts on entrepreneurship, decentralisation of education to stimulate higher (tertiary) education, the introduction of regional growth programmes to stimulate regional economic growth, coordination of policy measures and – to a small extent – temporary subsidies and allowances to stimulate social services of general interest (Näringsdepartementet 2000). Private-public partnerships at the regional level are vital for the implementation of the regional development strategies (Tillväxtanalys 2013). In reality these partnerships, a central body in this ‘new regional policy’, have seldom become more than informal talks between actors (private and public) at a strategic level, and they have had no role as powerful tools at the tactical implementation level (Lindström 2005). The results have however been a disappointment. The ‘new regional policy’ has been unable to meet the expectations (Gruber & Rauhut 2016).

Many peripheral regions suffer from an obsolete economic branch structure with slower changes in the branch structure than the national average. Both the structural and branch effects reinforce each other leading to slower economic growth than in the national economy. This is related to an on-going de-industrialisation process (Eðvarðsson et al 2007). The type of labour required in the metropolitan areas is knowledge-based and ‘post-Fordist’, while rural and peripheral areas retained a more traditional and ‘Fordist’-based production structure (Persson, 2004).

The regional income gaps have increased since the early 1980s, favouring especially the capital area (Heggemann & Schultz 2004). The employment trends at the labour display a similar development as do the trends in investment, business dynamics and entrepreneurship (Tillväxtanalys 2013). An obsolete economic branch structure in some regions as well as young adults leaving these regions, which further reinforces the vicious spiral, increase regional inequalities. Without jobs and economic growth poverty and economic hardship will appear – sooner or later.

The conclusion here is that the focus in the debate on poverty has partly its focus in the wrong place. Everything is not about changes in the social welfare systems run by the public sector, but also about available jobs in the private sector and the aggregated demand for labour in the economy.

#### 4. A shift in paradigm

The *Alliance* government implemented a paradigm shift during its time in office. The coverage in the social insurance systems was reduced, and the responsibility for supporting the individual in times of need (e.g. sickness and unemployment) has moved from the public to the individual and the family. This paradigm shift has passed unnoticed (Hadley-Kamptz 2012).

Companies in need of high skilled labour, tend to establish in the metropolitan areas or close to larger university cities. Job opportunities in service and information are also generally created in the larger cities. So while the countryside generally has lost from the new economy, cities have gained by becoming hubs for the creative class (Florida 2002; cf. Eðvarðsson et al. 2007) and for communication, service, information the new types of jobs are mainly found in the larger cities. It is however not just new companies that have managed to recreate new jobs in the cities. Policy decision has also enhanced the larger cities economic situation and labour market. Sweden is no exception.

The policy changes initiated by the *Alliance* government aimed at getting more people into work, to increase the tax revenues and lower the share of population on welfare schemes. Marginal groups at the labour market, e.g. young adults and immigrants, as well as persons on long-term sickness leave and early retirement schemes were target groups to increase the employment rate and lower the share of population on welfare schemes. By increasing the employment rate for these groups, the tax revenues were assumed to increase. Initiatives to move jobs from the unofficial to the official sector were also made.

Traditionally, during the Social Democratic era in Sweden, poverty issues were fought differently. The welfare system in Sweden is made up of several organisations and systems dealing with welfare. The main pillars of the welfare model are social welfare – including health care, elderly care and social security – and education and labour market schemes. It is mostly funded by taxes, and executed by the public sector on all levels of government as well as private organisations (Swärd et al 2013; Olofsson 2007; Olsson 1993).

By incorporating the wider middle-class in the transfer systems, it has been possible to gain support from the voters for the high taxes and huge transfer programmes in Sweden and hence poverty has been reduced in post-war Sweden (Palme 1996). Once an individual has qualified for the social welfare systems the welfare is universal. When sick or unemployed, on parental leave or as a pensioner, the social transfer from the public sector is related to the former income of the individual (Elmér et al 1998). In a way, the well-off middle class do not mind financing a public welfare system they benefit from themselves (Halleröd 1996).

The Swedish welfare model did receive criticism from both the political left and right. The Marxist critique from the 1960's and 1970's is well summarised by Larsson and Sjöström (1979). They argue that there is no redistribution mechanism in the Swedish model, i.e. wealth is not transferred from rich to poor. The social insurance programmes are risk insurances (unemployment and sickness) and redistributive over the life cycle (pensions and child allowances). If you have a good income, you will have a good coverage in the social security system, and vice versa. Social assistance transfers resources to poor, but this transfer system is means tested and not universal.

In the 1980s and 1990s the huge public sector was criticised for economic inefficiency and causing a low economic growth. To pay for the Swedish welfare systems required a relatively high economic growth; it was not possible for the government to finance the welfare on loans or by increased taxes. The pay-off from education was low, unemployment high as was the inflation. Private investments were low. The Swedish model experienced a structural crisis (see e.g. Molander & Andersen 2002; Freeman et al. 2006, 1995; Södersten 2006; Gylfason 1997). As illustrated in diagram 1, the share of population on social assistance was increasing until 1997. Income transfer schemes were unable to fight poverty in Sweden in the 1990s. Despite the financial crisis in 2008-9, the number of persons on social assistance only increase marginally and unemployment remained low, which partly can be explained by the fact that Sweden – as a whole – was relatively unaffected by the crisis 2008-2009 (Björklund & Jäntti 2013). One interpretation of the absent debate on the paradigm shift is that it is difficult to criticise a paradigm shift when it appears successful.

## 5. New stimuli reforms

In order to create new jobs, but also to move jobs from the informal sector to the formal, the RUT-programme was introduced in 2007. A tax deduction system of those who utilised RUT for cleaning,



laundry and maintenance services in their homes effectively subsidised these services. In 2008 a similar subsidising of works related to renovation of own house, reconstruction works etc. (ROT) on your house was introduced (Skatteverket 2011). Another measure in line to create more jobs was the reduction of the restaurant VAT in 2011, from 25 to 12 percent. The restaurant sector was notoriously known for operating in the informal economy, especially when it came to hiring staff. The effect evaluation of the reform, made by the Swedish Tax Office, concluded that the restaurant sector increased its tax payment with SEK 0.7 billion and more people were employed (Skatteverket 2014).

These two reforms made the formal economy grow at the expense of the informal, which generated higher tax revenues. Furthermore, as people got legal and taxable incomes they were also included in the social insurance system, and hence not forced to apply for social assistance when sick or unemployed. These two reforms also meant that new jobs – without any high qualification levels – were created for marginal groups at the labour market and that jobs were moved from the informal to the formal economy (Skatteverket 2011, 2014).

In 2007 payroll taxes for persons below the age of 25 was cut with one third. The evaluation of this payroll tax cut indicates that it is an inefficient way to boost youth employment (Egebark & Kaunitz 2013). In 2013 a new type of youth wages (ungdomslöner) introduced for persons below the age of 25. By paying a lower initial wage, the idea is that employers will offer more jobs to persons below 25. No evaluation of this has been conducted yet.

The *Alliance* government introduced four non-targeted earned income tax credits (jobbskatteavdrag) 2007-2010. The aim was to boost the incentives for individuals in general and low income earners and unemployed in particular to go from unemployment to, at least, part-time work. The evaluation of the two first non-targeted earned income tax credits, introduced in 2007 and 2008, indicates marginal effects only (Edmark et al 2012). Regardless the result from the evaluation, employed persons paid less in tax and had more money for consumption, while non-working persons (e.g. unemployed or sick) had less.

During the period 2006-2010 the *Alliance* introduced several reforms in the sickness insurance in order to increase the incentive to return back to the labour market as soon as possible. Some of the more controversial parts in these reforms dealt with an introduction of a maximum number of days which the sickness insurance compensated a loss in income; another controversial reform was that long-term sick had to have their capability to work tested frequently in order to be entitled to the sickness insurance. Evaluations of the reforms suggest that the implemented reforms did correct some structural problems in the sickness insurance, but the reforms were implemented when a downward trend in sickness leave and usage of the sickness insurance took place. The non-targeted earned income tax credits probably provided incentives as well to return to employment as soon as possible (Hägglund & Thoursie 2010). Furthermore, this reform was implemented to reduce sickness leave and abuse of the sickness insurance. The main problem was however not that the number of persons using the sickness insurance – the problem was that the rehab-system was unable to do what it was supposed

to do: to make long-term sick regain their health so that they could return to work. Instead, the long-term sick were waiting for rehab, and this queuing was costly (Johnson 2010; Hetzler et al. 2005). Those who were considered to be too healthy to be in the sickness insurance were transferred to the Public Employment Service if it was impossible to return to the former work place (Försäkringskassan 2010). About 75 per cent of those who received social assistance did also receive support from the National Social Insurance Board (Försäkringskassan) and from the unemployment insurance or support from the Public Employment Service. Especially young adults and persons with an immigrant background, i.e. marginal groups at the labour market, were caught in a situation where nobody appeared to be willing to take responsibility for them (Mörk & Liljeberg 2011).

Another criticised reform which the *Alliance* government implemented was to make unemployed persons living on social assistance do some work to be entitled to claim social assistance. The over usage, or even abuse, of the system should be put to an end and the costs on social assistance should be lowered (Dahlberg et al. 2008a). The *Alliance* government can however not take credit for this reform as it was implemented in several places in Sweden before 2006 (Thorén 2005). The reduction of persons in need of social assistance due to this reform is difficult to measure, especially as the labour demanded for young adults and persons with an immigrant background was high (Blomberg et al. 2006). The reform may also have scared some claimants off, and thereby reducing the costs and the number of recipients (Dahlberg et al 2008b).

Salonen (2011) holds the family policies of the *Alliance* government responsible for the increasing share of children living in poverty in Sweden, roughly 12 percent of all children. The budget cut-backs in the social insurance schemes has led to less income redistribution between rich and poor, and hence hit the children. Especially children in distressed suburban areas, children with an immigrant background and children in single-parent households experience poverty. Other studies points in different directions. The Swedish family policy was never redistributive, and hence its effects has been overestimated (Holgersson 1997). An analysis of child poverty in Gothenburg 1923-2003 showed that the determinant factor for reducing child poverty was not the introduction of family policies in the form of subsidies, allowances etc., but the introduction of a two-income household. When women started to work outside the family, child poverty were reduced (Gustafsson & Jansson 2010). Furthermore, a regional analysis of child poverty in Sweden 1990-2010 suggested that the former prosperous industrial regions, now in decay, displayed the highest share of children in the population living on social assistance – not the metropolitan regions.<sup>2</sup> When parents experience long-term unemployment, or long-term sickness leave, or receive an early retirement, the children will be affected by tough economic situation of the household. This is exactly what can be observed in the decaying industrial regions (Rauhut & Lingärde 2014).

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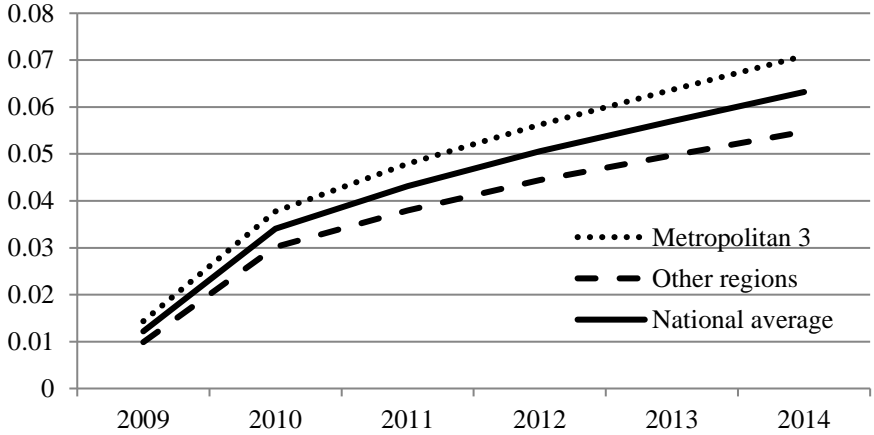
<sup>2</sup> During the 1950s and 1960s Swedish regions such as Södermanland, Västmanland, Örebro, Dalarna, Gävleborg and Västernorrland were very prosperous and displayed a rapid economic growth. The deindustrialisation since the late 1970s have turned these regions into decaying regions (Rauhut & Lingärde 2014).

The Alliance government aimed to lower the tax and increase the incentives to pay tax introduced several reforms. It should simply pay-off to work and unemployed, sick and poor persons experienced a lower consumption from an already low level; those who worked increased their consumption. As we have seen, doubts can be raised regarding how efficient these reforms actually were.

### 6 Policy success or policy failures?

Most of the policy changes have benefitted the larger cities. Restaurants are mainly located in the larger cities, which means that the reduction of the restaurant VAT has had the largest impact in the cities, in comparison to the countryside. Statics shows that higher income households have mainly used RUT in metropolitan areas; ROT displays a more neutral use spatially (Diagrams 5 and 6). Especially RUT, but also ROT, have offered persons with an immigrant background employment. Recent studies show that immigrants are over-represented in the RUT and ROT companies, but as entrepreneurs and employees (Hedlund & Gullberg Brännström 2016; Almega 2010). A marginal group at the labour market is now working and pays tax.

**Diagram 5** The ratio of completed RUT works and population



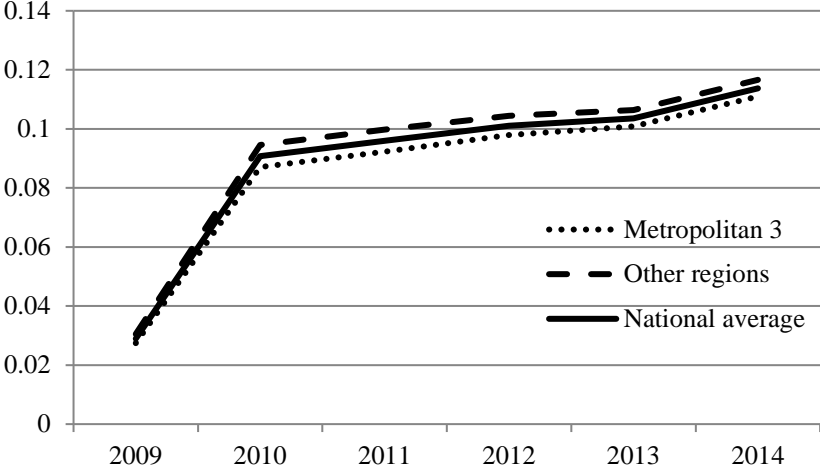
Source: Own calculations based upon data from the Swedish Tax Office and population data

The increased importance of cities has been high lightened in recent studies. More and more of the economic activity place in cities, leaving the rural and peripheral areas behind. This development will increase in the future and the non-city areas will fall even further behind economically (Nordström & Schlingmann 2014; Mattson 2011). Nygren and Persson (2001) noted that this prosess has been ongoing since the 1980s and predicted its continuation.

In the industrial economy, labour had to move to where the production took place in Sweden. It was partly to the major towns, but the majority of the industrial production in Sweden took place in small and medium sized towns. These were located all over Sweden. Today the post-industrial service

economy allocates production to areas where many people lives, i.e. the allocation decision is based upon being close to the market and close to the labour. Consequently, the major cities will expand at the expense of the other regions (Eliasson & Johansson 1994). This is however a rational economic behaviour (Krugman 1991, 1996).

**Diagram 6** The ratio of completed ROT works and population

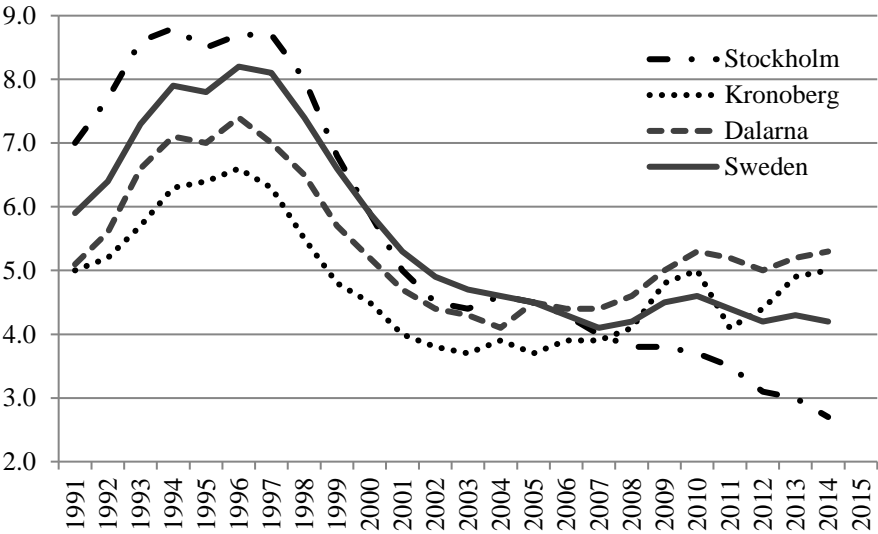


Source: Own calculations based upon data from the Swedish Tax Office and population data

Furthermore, the conventional driving forces for out-migration of young adults, and especially young women, are in play in many peripheral regions in Sweden. Studies have shown that income differences and labour markets aspects are the main drivers (Brandén 2014; Gärtner 2014). Also bad infrastructure and general service, in terms of availability and accessibility, are factors causing out-migration from rural and peripheral areas and repel persons from returning (Sörensson 2012; Rauhut & Littke 2015).

The larger cities (Stockholm, Göteborg and Malmö) have benefitted the most from many of the reforms the *Alliance* government introduced: investment has mainly been in the larger cities; the cities have experienced an increased demand for labour. Increased investments and a demand for labour usually lead to an increased consumption. The tax reductions have also resulted in an increased consumption by the marginal groups at the labour market who now had a job and money to spend. This development has had impact on the labour market and the unemployment rate and divided the country in to prosperous cities and a burdensome countryside struggling with an increased unemployment rate and consequently the number of people who live on social assistance has gone up. Seen from a regional economics’ perspective, the cities have experienced a positive process in which the different parts are reinforcing each other, while many of the regions outside the three metropolitan areas in Sweden has been caught in a vicious circle of under-development (cf. Capello 2016).

**Diagram 7** The share of population on social assistance in Stockholm, Kronoberg, Dalarna & Sweden 1991-2014



Source: Socialstyrelsen Data base

When this process is compared to the regional share of population on social assistance in Sweden 1991-2014 some interesting observations can be made. Before the turn of the millennium, the share of population on social assistance in the Stockholm region was higher than the national level; since then it has been below. The share of population on social assistance in the two rural and peripheral regions Kronoberg and Dalarna<sup>3</sup> was below the national average until the mid-00’s. An upward trend starts in Kronoberg already in 2003 and in Dalarna in 2004. Since 2008 both these regions display shares on population on social assistance exceeding the national average. Parallel to the increasing share of population on social assistance in Kronoberg and Dalarna, the corresponding share after 2008 in the Stockholm region has been decreasing (see Diagram 7).

The major kinks in the curves occur prior to the period the *Alliance* government was in office and hence the efficiency of the policy reforms – in terms of poverty reduction – by the *Alliance* government can be questioned. The Stockholm region has been favoured economically since the end of the 1990’s (Arbetsförmedlingen 2015a; Eðvarðsson et al 2007), which can explain why the share of population on social assistance was reduced by about 50 percent between 1997 and 2002. Kronoberg displays an increasing share of population on social assistance starting in 2005; in Dalarna the increase started in 2004. Between 2005 and 2014 the share of population on social assistance in Stockholm region drops from 4.5 to 2,7 per cent. As shown earlier in this paper, the correlation between unemployment and share of population on social assistance is marginal, and hence changes in unemployment cannot explain this divergent development between Stockholm and other regions.

<sup>3</sup> Dalarna and Kronoberg were very prosperous regions during the 1950’s and 1960’s, but started to experience a deindustrialisation in the 1970’s. They are representative for peripheral and rural regions in Sweden (Cf. Eðvarðsson et al. 2007).

The evaluations of the reforms implemented by the Alliance government, as shown in the previous section, experience difficulties of producing support for a policy success. RUT and the reduction of VAT in the restaurant sector appears successful, but for the rest no or inconclusive or vague evidence is reported. In some cases, the reforms are not invented by the Alliance government, but by the preceding Socialdemocratic government; the activation of unemployed persons on social assistance is an example of this.

## 7 Concluding remarks

The share of households as well as the share of population receiving social assistance decreased since the late 1990's. At the same time the differences between the three metropolitan regions (around Stockholm, Gothenburg and Malmö) increased. During the period with the centre-right *Alliance* government in office, these differences accelerated. While the share of households and persons in need of social assistance decreased at a national level, different processes have been at play at the regional level (Socialstyrelsen 2010, 2011, 2012, 2013, 2014). Parallel to the decreasing share of households and persons in need of social assistance in the three metropolitan regions, rural and peripheral regions have experienced the opposite development. As a majority of the Swedish population resides in the three metropolitan regions, a decline in demand for social assistance in these three regions will impact the national trend.

When discussing the changes in the demand for social assistance several aspects have to be taken into consideration. The design and coverage of social insurance systems and social transfer schemes are of importance. It is however well-known that labour market attachment in general and unemployment specifically poses a major impact on the variation of the persons in need of social assistance over time. In areas where jobs are created the demand for social assistance decreases and vice versa.

During the last decade, a majority of the jobs created in Sweden, both in the public and private sectors, have been created in or around the three major cities. The government policies have stimulated growth and economic expansion in the three metropolitan regions, i.e. the reforms to create more jobs have had different outcomes in different parts of the country. Hence an urbanisation process is triggered (Svanström 2015). This process started already by the social democratic government in the late 1990's, but was accentuated by the centre-right *Alliance* government.

After the international financial crisis 2008-2009, the non-metropolitan regions Södermanland, Östergötland, Kronoberg, Blekinge, Värmland, Dalarna and Gävleborg have all experienced a significant increase in the share of population in need of social assistance (see Table 1; Cf. Rauhut & Lingärde 2014). Simultaneously, the metropolitan regions have experienced the opposite development. These regions have been more successful in attracting investments and labour, which, in turn, generate more investment and labour. A vicious circle of economic under-development is indicated in non-

metropolitan regions: A place becomes unattractive when major the industry do significant cuts in staff or exit. Economic recession and unemployment are repelling factors for a place, and so is an insufficient or old-fashioned infrastructure, local budget deficits and local tax increases. Investments and labour will be directed to other places (Capello 2016). Rural and peripheral regions suffering from population decline, unemployment and declining investments, regions struggling with financial problems fall behind, which widens the gap to the prosperous and dynamic regions (Dall Schmidt et al. 2014; Mitze et al 2015; Kangasharju & Dall Schmidt 2009). This process is indicated in the regional social assistance statistics.(Socialstyrelsen 2010, 2011, 2012, 2013, 2014)

This chapter has illuminated a divide between the three metropolitan regions and the rest of the country. This finding is in line with international results (Helgesson 2015): de-industrialising ‘rust belts’ experience severe difficulties in welfare provision, employment possibilities etc., while service producing cities attract investments and labour. Nowadays, both private and public investments in the western post-industrial world are targeted towards the bigger cities. The growth potential is assumed to be much extensive in metropolitan areas. Financial investment, tax reductions and subsidies has mainly benefitted these areas. The increase in job-opportunities in the metropolitan areas, and lack thereof on the countryside, has created a widening employment gap in Sweden (Tillväxtanalys 2013b; Arbetsförmedlingen 2015a). Again, this process is indicated in the regional social assistance statistics.

This chapter has also showed that few of the reforms launched by the *Alliance* government appear to have had any major impact on reducing poverty or unemployment; RUT is the exception. About 75 percent of the persons employed in RUT-businesses came from unemployment (Almega 2010), and immigrants are over-represented in these companies (Hedlund & Gullberg Brännström 2016). Some of the evaluations made on these reforms were however made close in time to the implementation, which makes it difficult to assess the impact. Notwithstanding this, the ‘success’ of the reforms appears relatively limited. The ongoing de-industrialisation process and the economic centralisation to the major cities in Sweden appears to explain more of the trends and fluctuations of the variation in the share of persons and households in need of social assistance in Sweden 1991-2014.

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## APPENDIX

Bivariate correlation between regional relative unemployment rate and regional share of population on social assistance 1991-2014.

Region	R2 coeff
Stockholms län	0,1163
Uppsala län	0,0039
Södermanlands län	0,0108
Östergötlands län	0,004
Jönköpings län	0,013
Kronobergs län	0,0087
Kalmar län	0,0017
Gotlands län	0,0308
Blekinge län	0,0084
Skåne län	0,1044
Hallands län	0,0044
Västra Götalands län	0,0333
Värmlands län	0,0052
Örebro län	0,0358
Västmanlands län	0,0176
Dalarnas län	0,1325
Gävleborgs län	0,0441
Västernorrlands län	0,0062
Jämtlands län	0,0032
Västerbottens län	0,0006
Norrbottnens län	0,1434

Source: Own calculations with data from Socialstyrelsen and SCB.