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Lobbying for Profits: Private Companies and the Privatization of the Welfare State in Sweden

In this paper, we analyse the recent history and current resilience of for-profit care and service provision in what has often been seen as the archetypical social democratic welfare state: Sweden. We maintain that none of the dominant perspectives on welfare state change and continuity can explain these processes and outcomes. Instead, we focus on the strategic activities of private companies and their business organizations as they try to organize perceptions, actors, and communication to further their interests. We argue that taking such organized action into account changes dominant perceptions about the characteristics of the Swedish political economy, and carries important lessons for analyses of changes in the organization of the welfare state in general.

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Introduction

If a social scientific observer of the mid-1980s had been presented with a line-up of rich Western countries – say Germany, Sweden, the UK, France, the US – and asked to guess which of these countries that would later experience a rapid expansion of for-profit providers of health care, elderly care and education, few would probably have opted for Sweden. The universal welfare state, the strong unions, and the social democratic statist tradition: all these factors would have pointed to Sweden as the least-likely case of privatization of services in the care and education sector. And yet, three decades later, Sweden has in fact experienced an astonishingly fast growth of for-profit providers of care and services. Although the financing of care and education is still predominantly based on taxation, the actual delivery of such services has to an increasing extent come from for-profit providers. So far, no efforts to scale back the activities of for-profit welfare enterprises have been successful. This in spite of the fact that public support for such providers remains low and that increasing political conflicts have been registered, not least as a result of failing school results, unanticipated consequences of privatization of welfare services and public scandals involving private enterprises in the welfare sector (Molander, 2017).

In this paper, we address the question of why the privatization of the Swedish welfare state has proved so resilient. We argue that neither the growth in for-profit welfare nor its resilience in the face of substantial opposition can be explained by existing theories of welfare state change and continuity. Instead we turn to an “augmented power resource approach” in order to understand why private welfare companies have managed to become stable actors even when faced with an unfavourable public opinion and a considerable political challenge. This approach places emphasis on the instrumental activities of private companies and their business associations, and includes a more nuanced view of the feedback effects of a universal and encompassing welfare state than what is found in existing literature.

To substantiate our explanation, we first follow the history of for-profit welfare provision in Sweden, from the budding experiences in the early 1980s to the current situation where more than 20 percent of care and education is delivered by private enterprises. We place particular emphasis on developments in the last few years, when for-profit welfare has become a highly contentious political issue.

We then review existing dominant welfare state approaches to show that none of them can explain the development in this regard. This is because they do not take the instrumental activities of private capital fully into account in their approaches. We go on to illustrate the various activities by private companies and their organizations, based on interviews with strategically selected actors in the private health care sector. Finally, we conclude by summarizing the

main arguments and findings, and their implications both for understanding the Swedish case and for general perspectives on lobbying and the welfare state.

We base our empirical case on several sources. We consult existing literature and data on changes in the delivery of welfare policies, public opinion and press coverage, and we interview key organizational representatives of the private health care sector.¹ We analyse the interviews in order to decide what types of actions private firms and their organizations use in their lobbying efforts.

The rapid privatization of the Swedish welfare state

Welfare services in Sweden are divided into six main domains: health care, child care, elderly care, education, labour market, and youth delinquency. Health care is financed by the regional county councils, while child care, elderly care, and education are administered by the municipalities. In 2015, Swedish county councils and municipalities bought welfare services from private providers for a total of 13 billion euro.² In primary care, 42 % of clinics are now privately owned, and in the Stockholm capital region, that figure is 65 %. The lion's share of private providers are for-profit: 97 % of county councils' and 83 % of municipalities' expenditure on private welfare is spent on for-profit corporations (SKL, 2016). Figure 1 summarizes the development of expenditures on privately produced welfare in the three largest welfare areas: education, elderly care and health care over the period 2003–2015. As shown, spending has increased considerably over the last decade, and almost all of the increase comes from for-profit providers. Figure 2 shows that the increase in overall staffing in the welfare sector largely comes in the for-profit part of the sector. Here, the number of employees increased by 65 % between 2000 and 2015, as compared to a 20% increase in the sector as a whole.

Profit-seeking actors in the welfare sector are a fairly new phenomenon in Sweden. Through a series of reforms from the 1940s to the 1960s, welfare policy delivery was centralized and nationalized in the building of the social democratic welfare state. As a result, by the early 1980s, an absolute majority of welfare facilities in Sweden were both owned, financed, and run by the public sector. For example, in 1980 only 0.5 % of Swedish pupils went to a non-government school. The few exceptions were found among confessional schools and parent co-operatives.

But in the 1980s things started to change. General opinion became more sceptical about the expansion of the state and its bureaucracy (Svallfors, 1989: 58–60). An organized thought movement started to emerge on the political right wing, manifested by the founding of the Timbro think tank, which included a new publishing house. Inspired by the Reagan and Thatcher administrations in the US and UK, conservative forces in Sweden aimed at deregulating monopolized markets in various sectors such as electricity, infrastructure, commu-

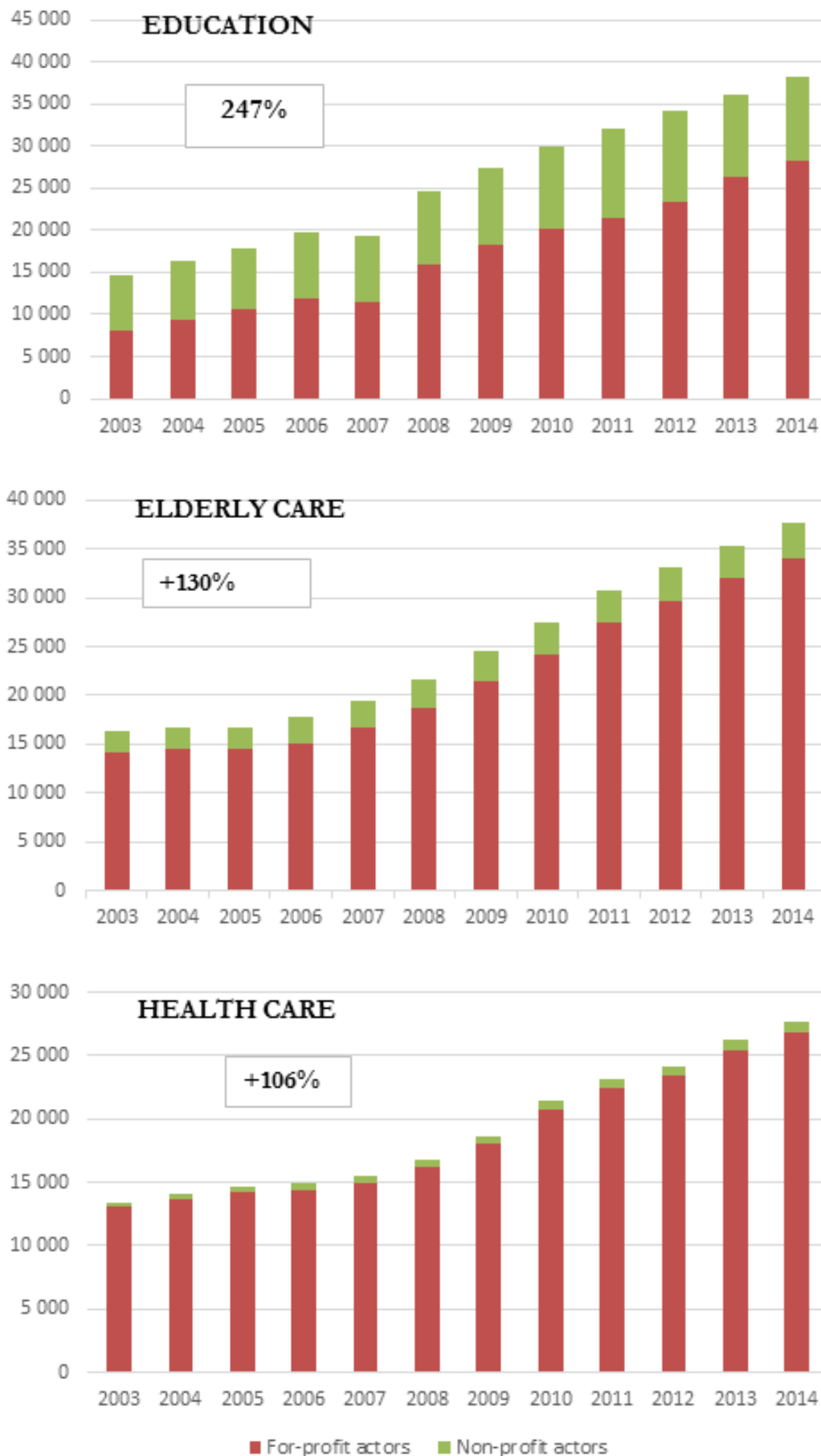


Figure 1. Public expenditure on private health care providers in education, elderly care, and health care, according to type of actor.

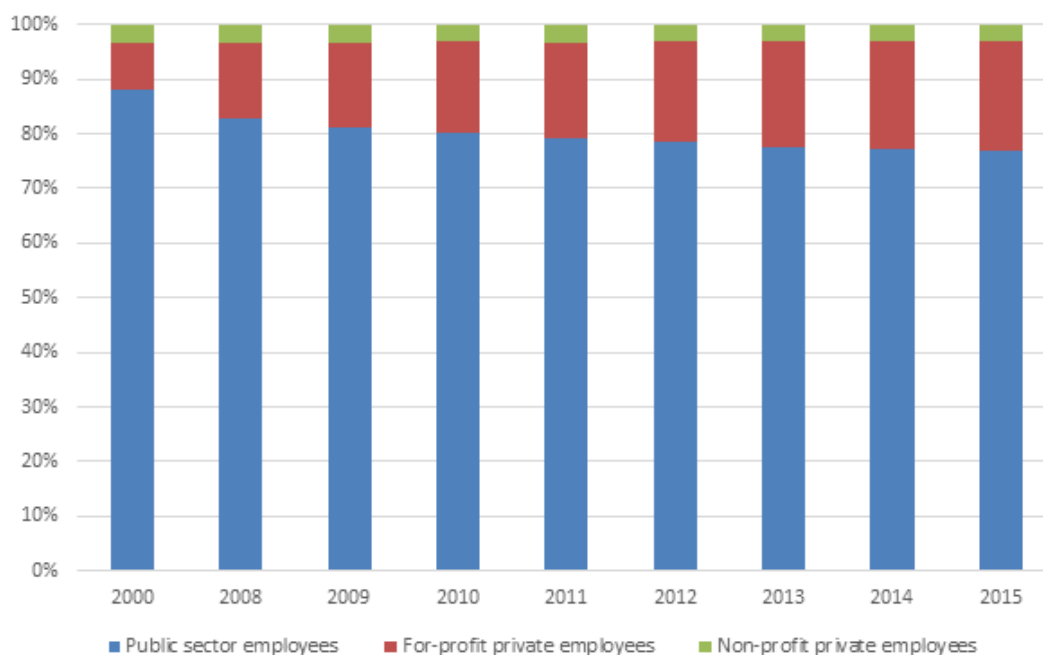


Figure 2. Employees in the Swedish welfare sector 2000-2015 according to type of employer, % of total.

nications, and media (Boréus, 1994; Tyllström, 2013: Ch. 4; Wedel, 2009: Ch. 2). In this regard, Sweden followed an international trend of other European countries (Bergh & Erlingsson, 2009).

Welfare services were no exception. Already in the 1980s, local politicians in Nacka, a municipality with a conservative majority, started to experiment with a semi-private arrangement, where the municipality issued vouchers for medical footcare to elderly citizens who could then choose to spend them on private providers (Kastberg, 2005). Another important early event was the establishment of the first chain of privately owned preschools, *Pysslingen*, which stirred political debate and ultimately led to *Lex Pysslingen*, a law enforced by the social democratic government to stop all public funding of for-profit preschools.

When a coalition of four right-of-centre parties won the national election in 1991, the new government initiated a series of reforms that were intended to create more choice for citizens, and to increase innovation and private entrepreneurship. *Lex Pysslingen* was abolished, and a voucher system, similar to the footcare voucher, was introduced nationally in the education system. In primary health care, a Family Doctor Reform (*Husläkarreformen*) was introduced in 1993, along with free establishment rights for private doctor and physiotherapist clinics, stipulating that county councils had to apply the same remuneration system to private and public health care providers. This was the

starting point for private primary care on a larger scale and was not significantly reversed by later governments (Anell, 2011).

Early private actors often operated on contract with county councils or municipalities according to a “procurer-producer” model, but in later years the system has moved more towards a “consumer’s choice model” (Gingrich, 2011). Two especially important reforms were the introduction of the Law of Public Procurement (LOU) in 2007, where the guidelines for public sector purchases were formalized, and the (somewhat paradoxically titled) Law of Free Choice System (LOV) in 2009. The latter stipulated that all care facilities fulfilling a series of criteria should be granted the right to public funding if the consumer/patient chooses the services they provide. Municipalities can choose whether to introduce LOV or not; so far, half of the municipalities have done so. County councils are obliged to introduce free choice for primary care, but it is optional for specialized care. The adoption rate varies strongly with geography and is most widespread in the urban regions of Stockholm, Uppsala, and Skåne (SKL, 2016, p. 44).

The LOV reform has favoured large corporate groups that benefit from economies of scale. Early private actors were often co-operatives of parents or staff starting their own clinics and centres, but in the 2000s national and international corporate groups began to show interest. As a result, there has been a consolidation of the private care industry. Within education, the ten largest for-profit actors represent 20 % of primary education production, and a third of all secondary education (Skolverket, 2014). Within health care, the ten largest firms represent 28 % of the turnover among private providers (our own computations based on annual reports). Several of these companies are owned by venture capitalists.

In 2011, an edited book was published by SNS, a business-academic think tank (Hartman, 2011). The volume reviewed the effects of privatization on child care, education, family care, labour market, healthcare, and elderly care, and was edited by the SNS’s research director, economist Laura Hartman. The conclusions were that there was surprisingly little evaluation done, and that it was hard to discern any clear positive effects of privatization. If anything, the reforms towards privatization seemed to have had a slightly segregating effect: socio-economically privileged groups gravitated towards the private alternatives in care and education. The members of SNS – business leaders with interest in the welfare production market – were unhappy about the results, and SNS did not approve of the presentation of the report. In the academic community, the affair raised questions about censorship, and ended with Hartman’s and several other affiliated researchers’ resignations, and the director’s public excuse.

In fall 2011, the “Carema scandal” exploded in the media. It started with an e-mail to the local government offices containing information from the medically responsible GP at an elderly home run by Carema Care, a for-profit corporate group, stating that she could no longer guarantee the quality of care. When journalists discovered the e-mail, they started scrutinizing the company. They reported on several cases of medical neglect and severe cost reduction programs. Carema was owned by the holding company Ambea, which in turn was owned by overseas venture capitalist companies with intricate tax planning schemes and generous bonus programs for managers (see e.g. Lucas & Tottmar, 2011). An award-winning documentary, “We Gave Them Our Dad”, was produced by the Swedish Broadcasting Corporation and more than 4,000 news articles were published in two months. The scandal had tangible consequences: several municipalities and county councils cancelled their contracts with the company, which subsequently changed its name. The chief of policy at the private care business association Almega Vårdföretagarna even published a book espousing his perspective on the scandal (Tenelius & Selling, 2016). Together with the conclusions of the SNS book, it sparked a wide-ranging political debate about the ethics of profit in the welfare sector.

Already in the 2010 election campaign, the fact that venture capitalist-owned corporations were making profits from tax-financed welfare had started to attract attention from the Left Party. MPs produced a series of parliamentary motions questioning the fairness of public expenditure going to corporate profits. The Carema scandal and the SNS conflict brought the issue to the top of the agenda. Public opinion was clearly against profits in the welfare sector. In Figure 3, we can see the development of public opinion. In 2015, 57 % of respondents

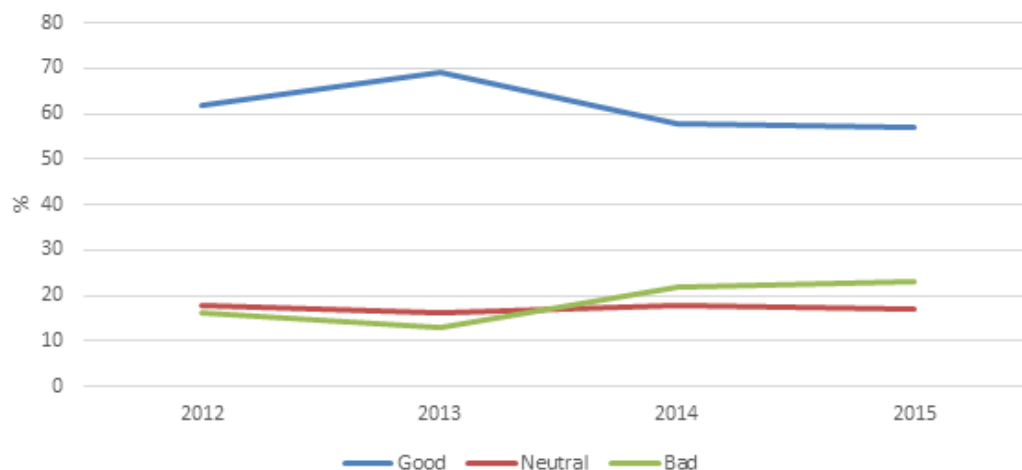


Figure 3. Public Opinion attitudes towards the statement “Profit dividends should not be allowed within tax-financed healthcare, education or care” 2012-2015. Source: Annika Bergström och Niklas Harring, SOM-institutet, “Hållbarhetens horisont” 2016 p. 134.

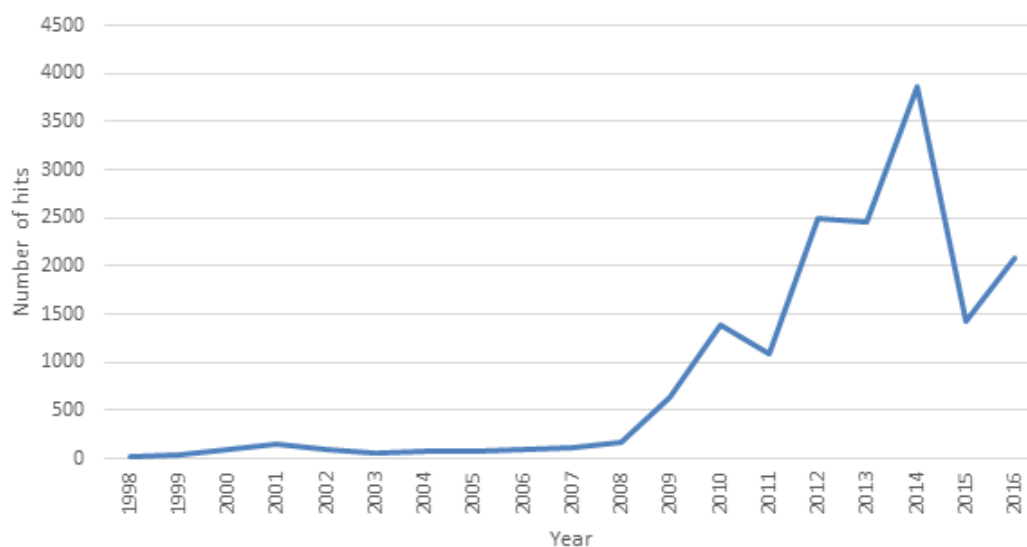


Figure 4. Number of hits in printed press on profits in the welfare sector on 1984–2016. Source: Retriever.

considered prohibition of dividends for publicly financed welfare to be a “good” or “very good” idea. Only 19 % were against it. In the latest public opinion poll with a different phrasing of the question, in November 2016, 80 % preferred a limitation on dividends, and 27 % wanted an outright ban (SVT, 2016).

There is a clear lack of political representation in the matter. Having championed many of the privatization reforms during their 2006–2014 reign, all conservative parties are openly positive to unregulated profits, even though a majority of their voters are negative, resulting in a large discrepancy between party positions and their voters’ opinions. This discrepancy is especially tangible in the case of the nativist Sweden Democrats, whose official policy was quite negative to unregulated profits until a very public turnaround in the Parliament in 2015. Their voters, however, are approximately as critical as the average: 78 % are pro-limitation, and 26 % want a ban (SVT, 2016).

Media coverage has soared. Figure 4 summarizes the media coverage on “profits in the welfare sector”³ over time: a total of 16,569 articles were published, with a clear upsurge in 2011. The debate culminated in the election of 2014, after which the Social Democrats came to power, and the Left Party demanded as a condition in negotiation for political support that there be a regulation on the profits made in the welfare sector. As a result, in early 2015 the government gave directives for a public commission with the task to develop a new framework for regulating the financing of private actors in the public welfare system.

As is customary, a team of experts and a reference group with representatives from organized interests were attached to the commission. The private welfare sector, headed by their business association Almega, was from the beginning very critically opposed to the commission's directives and process. They argued that a cap on profits would severely damage the industry and the welfare sector as a whole. Over the course of the 18 months that the commission worked on its first report, an intricate political interplay took place in the media, public opinion, and the parliamentary committees. The main actors have been Almega, the blue-collar trade union LO and its members, but also individual business owners, academics, and investment banks.

In November 2016, the commission's report of 856 pages was released, suggesting a cap of 7 % for profits (cf. SOU, 2016:78). In Sweden, anyone can answer to a political referral, and this became the most commented public commission ever: by the deadline, almost 13,000 separate responses had been registered at the Department of Finance, mainly as a result of both trade unions and business associations mobilizing their members (cf. Olsson, 2017).

To summarize, the Swedish welfare state has been rapidly privatized, although it is still mainly financed by public means. The development has concerned several administrations since the 1980s, and while there have been conflicts between political camps, the main trend has been one of increasing private production of welfare, and then mainly by for-profit actors. Moreover, the development towards for-profit organization of welfare policies has been exceptionally rapid by international standards (Palier, 2006).

Can existing welfare state perspectives explain privatization in Sweden?

How useful are existing perspectives on welfare state change and continuity in explaining the developments we have charted? First, we have to note that the privatization of Swedish welfare has received surprisingly little attention in the international research community. In spite of the fact that Sweden has long been perceived as the paradigmatic welfare state, recent developments, which seem to run counter to this image, have been only cursorily covered (Andersson, 2016).⁴

Two partial exceptions are the studies by Gingrich (2011) and Bergh & Erlingsson (2009). These studies have a broader focus than the current paper, since they analyse various aspects of marketization of the welfare state. This includes not only the development we presented above, but also increased market-simulating steering of the public sector, as well as privatization of parts of public utilities, and increased consumer choice in several different aspects. Bergh and Erlingsson emphasize the political consensus around these reforms, based on the groundwork of public commissions and social science. Gingrich maintains

that although there have been political conflicts about exactly how markets in the welfare sector should be best organized, the general trend towards marketization has been seen as beneficial by both the left and the right. None of these perspectives therefore seem particularly apt at explaining or even capturing the more conflictual and contested development of for-profit welfare delivery, which is our target here.

More seriously, none of the most established general theories of welfare state change and continuity would have predicted or seemed to be able to explain what has happened. The *power resource approach (PRA)* sees welfare state development first of all as a question of the relative strength of the labour movement's organizations and affiliated parties (Korpi, 1983, 1985, 1989, 2006; Korpi & Palme, 2003). PRA argues that "politics matter" for welfare state change in two ways: first, because left parties in power tend to extend welfare state coverage to the benefit of their major constituencies; second, because Christian and market-liberal parties tend to become strategically interested in welfare state expansion when faced with an electorally strong left and well-organized unions. Even if PRA emphasizes the strong power resources of capital owners and their representatives, this is seen as based on the general opportunities for exit, rather than as a variable strength across national contexts. As a result, welfare state variation becomes primarily dependent on the ability of the working class and its organizations to mobilize for welfare state expansion and resistance to cutbacks (Korpi, 1989; Korpi & Palme, 2003). Furthermore, once established, universal welfare programs tend to consolidate themselves through their feedback effects on the interests of large parts of the population. When the middle class becomes included in the same programs and services as the working class, strong distributional coalitions in favour of encompassing welfare states are established (Esping-Andersen, 1985, 1990; Korpi, 1980; Korpi & Palme, 1998).

As should be obvious, from this perspective Sweden should have been seen as a least-likely case of substantial welfare state privatization. The country long possessed the strongest labour movement and social democratic party in the world, and even though both labour unions and the social democratic party have become substantially weakened since the 1980s, they are still strong in a comparative perspective. Furthermore, the encompassing and universal welfare state should have been expected to act as a bulwark against any incursions of capitalist enterprises in the welfare sector, since both workers and the middle class could be seen as beneficiaries of existing welfare state arrangements. And yet, neither the strong political left nor the encompassing broadly class-based welfare state acted as brakes for a far-ranging privatization of welfare services.

The main contender to the power resource theory is known as the *new politics of the welfare state (NPS)* (Pierson, 1994, 1996, 2001). In NPS, the question was raised about why welfare states were so stable in spite of weakening working-class organization and a dwindling political left in many places. The short

answer was that the welfare state had established its own constituency: public employees and all those dependent on welfare state benefits and services (most importantly, the retired) now formed a power bloc that made the welfare state very hard to reverse. Even if the build-up of extensive welfare states was highly dependent on the strength of working-class organizations and parties of the left, once comprehensive welfare states were established, this support became less important for their survival. Not even ideologically committed governments with strong electoral mandates that faced weak opposition from the left, such as those of Thatcher's Britain or Reagan's United States, could do much to roll back the core programs of the welfare state. They could simply not afford to challenge a broad section of the middle class. Risk-averse voters characterized by "negativity bias" in regards to losses made welfare state cutbacks a politically risky business, that had to be pursued through low-visibility techniques in a "politics of blame avoidance" rather than credit claiming (Pierson, 1996). Therefore, cutbacks to the welfare state tended to be limited, and concentrated in programs where constituents were weakly organized and where accountability could be avoided (Pierson, 1994, 1996). In this way, feedback effects from the welfare state ensured its stability when faced with both ideological opposition and an economic climate of "permanent austerity" (Pierson, 1993, 1996, 2001).

But when trying to explain what happened with privatization in Sweden, NPS seems as little appropriate as the standard PRA. Feedback effects underpinning a publicly organized welfare state should have been expected to be much stronger here than in more liberal welfare states, making quick and substantial changes highly unlikely. Public employees were more numerous and better organized in Sweden than in other places, and the constituencies who were dependent on welfare state services even more extensive.

A third perspective on welfare state change and continuity puts the main emphasis on *public opinion (PO)*. Welfare states differ across countries because the populations of these countries are (for a variety of cultural and historical reasons) more or less supportive of redistribution and public intervention (Brooks & Manza, 2006a, 2006b, 2007). In the long run, democratically elected leaders have to be responsive to the policy preferences of their electorates, or they will not be able to get or hold on to political power. The Norwegian welfare state is different from the one in the United States because Norwegians have different attitudes from Americans to the welfare state, and because policy responsiveness is imperative to winning elections.

But the PO perspective seems to have even less than the others to offer for an explanation for privatization in Sweden. As we saw in Figure 3, public support for private profit-based enterprises has been quite weak. Furthermore, the findings shown in the diagram are supported by other opinion data from Sweden, showing overwhelming and stable support all the way from the 1980s for public institutions as better suited than private enterprises for handling services such as schools, health care, child care and care for the elderly (Svallfors, 2011).

Although support for freedom of choice is strong, this support does not become transferred into support for dividends or even for profit-based enterprises in the welfare sector (Nilsson, 2015).

Why can none of the presented perspectives shed much light on the case of privatization in the Swedish welfare state? It seems to us that is because two important pieces are missing from their edifices. One is a clear micro-oriented focus on private companies and their organized action⁵, and another is a full picture of what kind of long-term feedback effects to expect from a large, comprehensive, and collectively organized welfare state such as the Swedish one. Let us discuss each component in turn.

The strong organization of capital owners in Sweden has sometimes been noted (Fulcher, 1991; Svallfors, 2016b), but has rarely been taken into account seriously in comparative welfare state research. To the extent it has, analyses have tended to see Swedish employers, along with employers in other “coordinated market economies” as basically supportive of the welfare state. Since Swedish employers have adjusted to a particular institutional environment, the argument goes, they have vested interests in keeping its main components, including a comprehensive welfare state, in place (Estevez-Abe, Iversen, & Soskice, 2001; Pierson, 2000: 793-7; Swenson, 2002). In contrast, our perspective emphasizes the conflictual element of Swedish business politics as they try to expand markets into new domains, sometimes in the presence of opposition (Kinderman, 2016; Svallfors, 2016b).

In this endeavour, the Swedish business community has been helped by the fact that it is highly organized: ownership and control are highly concentrated in large institutional investors (Nachemson-Ekwall, 2016), and interest organizations are strong both historically and currently (Rothstein, 1992; Öberg, 2015). Employers and their organizations have successfully mastered the transformation of Swedish politics from a highly concerted corporatist structure to a more diffuse lobbying scene (Svallfors, 2016b; Öberg, 2015). We therefore see a need for an “augmented power resource approach” (APRA), in which the power resources of private business is treated as a variable and fully taken into account (Hacker & Pierson, 2010). Such a perspective needs to take the “structural” aspect of business power into consideration, but sees this as a variable rather than as a constant. Furthermore, an APRA would need to also include the “instrumental” activities of private business. This refers to lobbying and other attempts to directly persuade policymakers to act in ways consonant with business interests. Where structural power rests on the ability to (threaten) “exit” from countries or markets, instrumental power rests on “voice” (Culpepper, 2015; Hirschman, 1970; Lindblom, 1977; Woll, 2016). Exerting instrumental power includes providing new policy ideas, persuading policymakers of the merits of ideas and proposals, and defending existing beneficial practices and regulations. Hired lobbyists and policy professionals are important providers of such knowledge, information, and advice, which inclu-

des knowledge about both political processes and substantive expertise (Svallfors, 2017).

An APRA would also need to discuss how the feedback effects of the welfare state work, not only on the mass public or on various political elites, but on the business community and its organizations. The standard version of feedback effects argues, as we have seen, that encompassing welfare policies makes the welfare state extremely stable, since most of the population is included in the same programs and therefore has an interest in defending these arrangements. But a comprehensive welfare state is also by necessity big and expensive – it is a pool of resources built over generations and represents tempting business opportunities for large-scale owners and investors. It is also an actual or potential market which is comparatively safe, in the sense that public demand and general financial flows can be more or less taken for granted. But at the same time, it is a market that is politically risk-exposed: a shift in political power may entail drastically worsened conditions for private companies in the welfare sector. It is therefore imperative for private capital in the welfare sector to keep constant vigilance against political threats. In the next section, we will take a closer look at what these vigilant activities entail from the perspective of key actors in the private business community.

Policy action in the private welfare industry

Analyses of the interviews we conducted with business association experts, public affairs officials or CEOs in private health care companies (“private company officials”), and commissioned experts (henceforth referred to simply as “BAE”, “PCO”, and “CE”)⁶, revealed no less than nine distinct types of actions (presented below), which constitute three main types of active organizing efforts: *organizing perceptions*, *organizing actors*, and *organizing communication*. The first type of action consists of attempts to actively shape other actors’ perceptions and understandings. The second type concerns the organization of relationships among actors in the field in order to build alliances. The last type of action aims at affecting how communication with policymakers and the wider public is set up. In the following, we discuss and illustrate each in turn.

Organizing perceptions

This theme consists of three types of specific actions: (1) creating facts on the ground, (2) producing standards and frames of comparison, and (3) enacting transparency.

When it comes to organizing perceptions, perhaps the most fundamental action of private welfare companies is that they *create facts on the ground*. The very first attempts to create privately delivered welfare – the footcare vouchers in Nacka – were ingenious in this regard. While it would have been almost impossible to argue against this on principle grounds, it set an example for later privatizations: why should consumer choice in the sector be restricted to foot-

care and not include, for example, choosing whom to entrust with the care or education of one's children?

Facts on the ground are even more important once large-scale private welfare delivery is in place. The problem for policymakers intent on rolling back privatization is that any attempts to do so risk creating disruption of essential services and hence dissatisfaction among citizens/voters. This is clearly recognized by BAEs and PCOs:

This company where I work now, and others, may say, "If you change the compensation system in this way, then we cannot work with this, because we cannot handle it" and that is a type of...I wouldn't call it lobbying really, but it is a kind of information. (PCO1)

Or they may make clear to policy makers that they will have a huge problem on their hands if they attempt to limit profitability in the sector: "If you make this change that will in the worst case make a lot of companies go bankrupt, and then you have a giant problem to make your elderly care work". (BAE1)

But companies are also involved in continuously creating new facts on the ground through expanding their market presence. The targets are strategically chosen:

We have selected about 40 municipalities where we want to be present over time, /.../ based on a few parameters: one, that it is a municipality that will face a big demographic challenge. Where you can see that in this municipality there will be such an increase in the number of elderly people, we look at their current plans and see "oh my god, they have no new facilities on the way", and we can see that this is not going to work. /.../ The second dimension is: "Is this a municipality that is open to private care?", that is, have they worked with private providers in the past? /.../ And then we try to make contact with them to ask: "Are you interested in a conversation?" (PCO4)

By strategically using their current position and possibilities for exit as a bargaining threat, and by extending market presence, private welfare companies and their organizations try to beat off threats against their market.

The private welfare industry does additional things to organize perceptions at the interface between private welfare companies and policymakers and the wider public. One of them is *producing standards and frames of comparison*. This is important for several reasons: it is an attempt to increase trust in and legitimacy for for-profit providers, but it is also important for creating a "level playing field" for welfare providers and provide long-term planning horizons. They feel confident that they can hold their own compared to the public sector once standards for comparisons have been set, but they worry that comparisons may be biased:

We think that long-sightedness and transparency are absolutely most important, because if we only know what rules there are and know what the county council's own activities have as pre-conditions, then we can adjust and either decide that this is a

market where we can add something or this is a market where we cannot add anything. /.../ We like to be transparent with how things work at our end, but we would like the county council to be as transparent – not least because we have this voucher system that is relevant. /.../ They can make a loss, to put it bluntly, because that is hidden in the whole county council hole in that black hole there. (PCO3).

So, in order to increase trust and enact fair comparisons, the welfare industry works systematically with things such as “ethical platforms”, “quality measures”, “codes of conduct”, and other attempts to systematically produce rules and standards for the industry as a whole. It is far better to self-regulate than to have standards externally imposed:

There are a number of commissions everywhere that have been given a mandate and it's incredibly important that they don't misunderstand how the industry works. So, we work quite a lot with participating in Reepalu's commission, taking part in procurement, quality, standards, and so on. (BAE2)

Producing standards is closely connected to the wider issue of how to *enact transparency*: to decide what to show, for whom, at which time. This serves to increase legitimacy by providing partial transparency: *What is it that they feel insecure about? /.../ What is it that is not transparent enough?* (PCO1)

Of course, there is an extra responsibility for companies that are fully or partly financed from tax money. Of course, that requires oversight. Of course, that requires transparency. Of course, it requires certain rules that you have to bow down to. (PCO2)

But transparency in this general sense is not enough. It is also important to provide policymakers with examples of well-functioning private firms in action:

This politician should be able to bring with them: “I was at this home for the elderly and I saw this and that and how it worked” – politicians have a need to somehow relate to reality. (BAE1)

And a commissioned expert concurs:

[This company] asked us if we wanted to come. Then we've had, it was almost the first thing we got from [the business association representative]; “Do you want to visit specific companies? Let me know and I'll arrange for you to see them.” So, we had a standing invitation in that sense, to meet specific companies. (CE2)

At the same time, transparency always remains partial. The inner workings of private welfare firms are bound by company law to remain business secrets, and are also very hard to understand for lay people due to their technical nature. For example, one commissioned expert states about the different profit concepts that are at issue in the debate that ‘We are probably talking about less than 15 persons in the whole of Sweden who can understand these issues (CE1).’ Here, private welfare companies have an enormous advantage com-

pared to their opponents, in that they employ professionals who understand issues concerning accounting practices, different concepts of profit, and tax schemes, and what they imply for their companies.

Organizing actors

In the second action type, organizing actors, three sub-strategies are found in our material: (4) mobilizing one's own, (5) persuading the indifferent, and (6) seeking out friends.

The first task is to *mobilize one's own*, which is a much harder task than might be thought. It could easily be imagined that the sector has such a strong common interest in safeguarding conditions for market presence and profitability that little effort would be needed to keep a unified front. This is, however, not the case. The private welfare industry harbours quite substantial heterogeneity among firms: many are quite small, others very large; firms with large outside owners have higher demands for profitability than self-owned companies. Furthermore, they are all competitors: if one firm fails, others will perhaps be able to increase their share of the market. So, it is a constant struggle for the BAEs to keep their own unified when the industry is under threat:

When the Carema battle began and they read about it in the newspapers, other firms thought that this would affect only a single company: "We who are so good, this will not affect us." /.../ When this whole debate about profits got going I think it was exactly so that these small companies, and those companies that were not owned by venture capitalists /.../ they thought that "well, what if we got rid of these big companies, maybe that is great." (BAE1)

Intra-industry interests clash most clearly regarding the importance of profits in welfare, where individual private welfare companies are less persuaded by the importance to pursue this topic in the debate:

We have not really entered it. We think it is a pseudo-issue. /.../ We do not demand the right to make profits, we demand the right to make good healthcare. /.../ Who has an interest in us standing on the barricades and shouting for the right to make profits? (PCO2)

Positions such as these are known to the BAEs and elicit sour remarks:

[This company] has a view that they stand above [the business association], and [their representative] has felt that "I have a sort of direct link in, I can solve this myself. I can solve this, there are no problems" /.../ If you sit on the board of [the business association] and make decisions about strategy and have been willing to increase membership fees last year in order to put more emphasis on opinion-forming, then it is a little strange to say in the next moment that "I do not think this is important". (BAE2)

So, the business association has to strive incessantly to get all member companies to perceive this as a collective struggle, in a way not at all dissimilar to the ones unions have to wage in order to keep members in line. Although the busi-

ness association ultimately works at a mission task provided by their member companies, it often looks more like the agent driving the principal.

But it is not only important to mobilize one's own; it is also important to *persuade the indifferent*: to get parties and organizations on board who have little concern about these specific issues but may hold pivotal power. In this regard, the most important single thing has been the successful attempts of the private welfare industry to persuade the nativist exclusionary Sweden Democrats to make a complete turnaround on the issue, from critics of privatized welfare to supporters. Because of this, there is now a clear parliamentary majority against regulating profits in the sector. Here, the groundwork of BAEs has been decisive:

I have had two meetings with the Sweden Democrats /.../. Both to learn how they see these issues and explain how we think one should solve this. /.../ The first meeting we had just because we saw that...well, the Sweden Democrats were pivotal in our issues, so we needed to know what they thought, and they themselves thought "we know nothing about these issues." (BAE1)

But attempts to persuade the indifferent are not, of course, limited to the Sweden Democrats: they extend to any party or organization that has an influence on important decisions, but no firm standpoints when it comes to the issue of privatized welfare. When such attempts are successful they are most likely grounded in the strategic interests of the indifferent part – in the case of the Sweden Democrats, their interest in future collaboration with the liberal-conservative parties in parliament.

Closely related to persuading the indifferent is trying to *seek out friends* among the opponents. This is helped by the fact that both the Social Democratic Party and unions have been divided on the issues. There are several leading Social Democrats who are quite supportive of for-profit activities in the welfare sector, in spite of the fact that both grass-roots members and public opinion are strongly negative.⁷ Furthermore, the unions were for a time quite divided: the large public sector union *Kommunal* was in the 1990s and early 2000s quite favourable to privatization (because they imagined competing employers in care and education would entail better working conditions and wage prospects) (Waldemarson, 2010: 379–81). This rift among the opponents is clearly recognized and strategically used by BAEs:

It is vitally important to meet social democrats in important municipalities so we understand: How do they think? Are they pragmatic or are they ideologically far to the left and can they then pose problems? (BAE1)

In this search for friends among the opponents they perceive that they score victories: "We follow the debate every day closely and we note that *no* leading social democrat enters the debate on profits any longer. No Green Party activist, that was a long time ago we saw anything of that sort. (BAE1)

Even when no clear victories can be registered, it is still very important to keep up contacts “behind enemy lines” so as to be able to activate such neutral or friendly actors in the opposing camp.

Organizing communication

The last activity type, organizing communication, is conducted in three ways: (7) representing public sentiments, (8) opening and closing channels, and (9) organizing access to policymakers.

First it is important to *represent public sentiments*. This is important not least because public opinion has been unfavourable towards the opportunities to make profits in the welfare sector, something which the private welfare sector is now quite aware of:

You could see that there was...not a majority but there was a very large group of people who were very sceptical about precisely if you should make a profit and give out dividends. I thought that this was very worrying when I came in here, but when I raised this with our board they said, “Oh this, it has always looked like this, that is nothing to worry about”. (BAE1)

In this situation, much emphasis has been put on turning public opinion, or at least presenting it in a different light. Such attempts play on the fact that although public opinion concerning profits is quite unfavourable, freedom of choice is quite popular:

If you ask, “Is it reasonable that companies can make a profit in the care sector?” then that figure is 40 % and very few make the connection that if companies can’t make profits, then they can’t survive. If they don’t survive then there is no possibility to have freedom of choice. (BAE2)

The main and final target for these attempts is not really the public, but rather policymakers:

We can make the public really feel it is actually not such a great idea to walk in and limit the opportunities for these companies since they actually contribute. Then we want the politicians to feel that maybe I do not have the support to install these regulations, or maybe I should stand up for freedom of choice. Many politicians from the Alliance pushed hard on these issues a decade ago, but now they don’t really stand up and they need to feel that they have some wind in their backs and that the public actually likes the alternatives too. (BAE1)

Closely related to opinion building/representation is to *open and close channels* of communication with other actors. The business association continually organizes meeting grounds for exchange and debate. Not only supporters but opponents are engaged and challenged in public seminars:

When we organize seminars about some political issue, we really want both someone who is for and someone who is against. That is important to get an animated debate. (BAE1)

The important thing is not to “win” every single argument and debate, but to keep certain perspectives and issues alive. At the same time, other channels for communication are seen as detrimental for the industry’s interest and as something to avoid or close down. For example, one PCO states, “I don’t want my owners to talk about health care” (PCO4) since the owners know little about health care activities and facilities, and bringing them into the debate would risk leading to a focus on profits and tax schemes that would be unfortunate for the cause. But most of all it was the Reepalu Commission that was the object of the industry’s ire:

What is troublesome is that this commission still sits. Because we think that the debate has changed /.../

Interviewer: So you want to close down this commission?

Yes! [laughs] Or that it gets new directives – that would be great. (BAE1)

I would like to put the lights out for this commission, absolutely. (BAE2)

By opening and closing channels, BAEs try to make sure that the debate is pursued on terms which are beneficial for their cause, and by suitable actors. There is not an academic interest in debate for argument’s sake but debate to further and consolidate interests.

The last, but not least, way in which professionals in the private welfare sector act to further their companies’ interests is by *organizing access to policymakers*. This has several aspects. One is the importance of good timing – to approach politicians and other policymakers at a time when issues are at the table, not too early and not too late. Here, political experience is the basis for sound advice:

Now is not a good time to seek out politicians to talk about this – why should you do that? They are not into that now, the yearly cycle in politics is a given a long time beforehand. They do not get into budget work and think about what they will put their money on until...or if they should procure something, they don’t do that until next fall! (PCO1)

In this regard, it is of fundamental importance to have first-hand political experience: you have to know the nooks and crannies of political decision-making and how political logic differs from business logic:

There are many of us in this company who know politics. We do not have to sit and wonder all that much, we know who has the responsibility for each issue. /.../ Everybody does not have to have [political experience], but we who reason and make decisions about how to make contact with politicians, that is, when we do it, how we do it, and how we pursue that dialogue. /.../ Political logic and business logic, they are two completely different worlds and often they do not meet. (PCO3)

So, in accessing policymakers, it is key not only to have the right timing, but to frame arguments in a way that will land well in political quarters, and here previous experience is invaluable:

It has to do with both tonality and about understanding the rationality of politics. If you want to achieve change you have to understand a bit about “what’s in it for me?” Because if I come and you’re the politician, and I just state that “I think you are doing the wrong thing. Do this instead!” then it is very rarely possible to have a dialogue, but [instead it’s better] if you come to the politician and say, “I can see that you have a problem; this could be a way to solve it”. (PCO3)

Hence, organizing access to policymakers in an optimal way requires considerable political know-how, skills that can only be acquired by first-hand experience and which is the reason why so many companies and organizations hire people with such experience (cf. Svallfors, 2016a).

To sum up, safeguarding the market for private welfare companies is a relentless pursuit, which has to be conducted using a broad array of strategic actions and applying a broad set of political skills. It is exactly these strategic actions that have been curiously missing from existing approaches to welfare change and continuity, arguments to which we will return in the concluding section.

Conclusion

In this paper, we have charted the development of for-profit welfare delivery in Sweden, from the first fledgling attempts in the early 1980s until today when an extensive part of welfare policies are delivered by for-profit companies. We have noted that none of the dominant welfare state approaches seem to be of much help in trying to understand the rapid privatization of the Swedish welfare state and its resilience when faced with political opposition. This, we argue, is because none of them take seriously action by private companies and their organizations, as they try to guarantee continuous access to the vast resource pool that is the welfare state.

Therefore, the bulk of the empirical analysis in the paper concerns such strategic action, and we discern a number of ways in which private health care companies and their organizations act to organize perceptions, actors, and communication: they create facts on the ground, produce standards, enact transparency, mobilize, persuade, seek out friends, represent public sentiments, open and close channels, and organize access to policymakers. In engaging in all these actions, they act in order to preserve the for-profit health care market in Sweden.

The results in this paper contribute to two major fields of social inquiry: research on the determinants of the welfare state and research on lobbying and other political activities by the business community. They also contribute to the understanding of the political economy of present-day Sweden.

In regards to welfare state research, the paper has tried to amend the existing “power resource approach” (PRA) with a clear focus on the instrumental acti-

vities of capital. In formulating such an “augmented power resource approach”, we aim to save a major insight of PRA from its later empirical applications, namely that actors are intentional and not only reactive, and that strategic action in order to mobilize and organize is vital in order to successfully exert power (Korpi, 1985). In their empirical applications of PRA to welfare state continuity and change, Korpi and other PRA proponents mainly focus on labour to the neglect of capital. Capital is implicitly seen as already organized and mobilized and not in need of any further such activities; it can depend on its structural power and threats of exit. While there are certainly markets, such as financial markets, where such inactivity may be enough (Woll, 2016), the market for welfare policy delivery is not such a market. It needs constant tending in order to safeguard access to public financial resources, since it is politically highly risk-exposed.

To point out that current PRA or other existing welfare state approaches are of little help in understanding Swedish welfare state privatization is not necessarily to say that they have not been successful in doing what they were set up to do. They were formulated in order to explain country variations in the expansion and retrenchment of social expenditure and social rights, not primarily to explain the organization of welfare state services. But as general approaches for explaining welfare state change, both the standard PRA and its main competitors need to put much more emphasis on private companies and their organizations.

A strong focus on private companies and their individual or collective lobbying efforts is instead found in a completely different research field, where such activities are analysed in very different settings from the Swedish welfare state (for summaries, see Selling, 2017; Smith, 2000). Here, the main focus has been how private companies and their business associations act to avoid the introduction of detrimental regulations or create business opportunities in settings such as the decision-making machinery in Washington DC or the EU institutions in Brussels. This research has to a minimal extent concerned welfare policies and markets for welfare delivery; its findings have not at all been integrated in mainstream research on the welfare state, and it has concerned very different institutional frameworks from the one we target here.

What we have shown in this paper is the broad array of activities that private welfare companies and their associations pursue, activities that have so far been quite successful in staving off challenges to the for-profit sector in welfare policy delivery. We suggest that such activities should be attended to if one wants to understand how resilient privatization has proved to be in what was previously thought of as extremely hostile territory for such ventures.

Finally, our paper has also contributed to a more detailed understanding of recent broader political-economic changes in Sweden. We have added to a minor literature on Sweden, one focused on the strength of Swedish business

and its organizations (Boréus, 1994; Fulcher, 1991; Kinderman, 2016; Svallfors, 2016b). This strength is no longer channelled through corporatist institutions and pursued through top-level bargaining with unions and the state, but in a post-corporatist, de-centred, networked, personalized, under-the-radar mode of doing politics and advocacy (Svallfors, 2016b, 2017).

What we offer as a contribution to understanding the resilience of the privatization of the Swedish welfare state is therefore a new perspective for a new political landscape, in which mass parties, corporatist arrangements, and peak-level negotiations play less of a role, but where the importance of strategic organized action has if anything increased. At the point of writing, any possibly forthcoming proposal on limits on profit-taking is heading for defeat in the Swedish parliament, mainly as a result of the skilled, highly organized, and concerted actions of the Swedish business community.

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Notes

1. The seven interviews were conducted in 2016 by one of the authors and followed a semi-structured format. The interviews were recorded, transcribed verbatim, and coded according to the themes we espouse in the penultimate section. Pertinent interview quotes were collected in an excerpt document, from which we take the quotes we use in the paper. All translations from the Swedish interviews were made by the authors.
2. 127 billion SEK. Private providers corresponded to 12% of county councils' and 15% of municipalities' total welfare expenditure.
3. Search string: (välfärd OR välfärdsföretag OR välfärdssektorn OR välfärden) AND (vinst OR vinster OR vinsttak OR vinstintresse*) AND privat*)
4. Of course, there are a number of Swedish studies that, often from a partisan perspective, have tracked the privatization of the Swedish welfare state. While we draw on some of these studies to construct our own time line, they most often lack analytical depth and/or are heavily biased in their explanations and interpretations.
5. Interestingly, in later work on American politics, Pierson and co-author Jacob Hacker put the main emphasis on the instrumental activities of organized business in explaining policy outcomes in the US over the last quarter-century (Hacker & Pierson, 2010).
6. We will use these generic titles rather than the actual ones in order to preserve the anonymity of interviewees. One of the BAEs is also a PCO, and depending on the capacity in which s/he speaks, we shift between the BAE and the PCO labels.
7. Some examples are Lars Stjernkvist, chair of the municipality board of one of the larger cities in Sweden, Norrköping: (<http://www.svt.se/opinion/det-ar-fel-att-forbjuda-valfardsforetag-som-fungerar-bra>); the leading Stockholm politician Karin Wanngård: <http://www.di.se/nyheter/s-revolt-mot-reepalus-vinsttak/>); and the newspaper editor Widar Andersson: <http://www.dagensamhalle.se/kronika/vagar-reepalu-ta-miljardaerens-parti-14181>.

Arbetsrapporter/Working papers

- 2016:4 Duus-Otterström, Göran. *Benefiting from injustice and the common-source problem*
- 2016:3 Svallfors, Stefan. *Politics as organized combat – new players and new rules of the game in Sweden*
- 2016:2 Svallfors, Stefan. "Most MPs are not all that sharp." *Political employees and representative democracy*
- 2016:3 Svallfors, Stefan. *Politics as organized combat – new players and new rules of the game in Sweden*
- 2013:1 Mkandawire, Thandika. *Neopatrimonialism and the Political Economy of Economic Performance in Africa: Critical Reflections*
- 2011:13 Theobald, Hildegard. *Long-term Care Insurance in Germany*
- 2011:12 Hallberg, Daniel; Lindh, Thomas & Žamac, Jovan: *Study achievement for students with kids*
- 2011:11 Johansson, Peter. *Den politiska momsdebatten i Sverige efter 1990. Ett bidrag till studiet av skattereformers politiska hållbarhet*
- 2011:10 Adman, Per & Strömblad, Per. *Utopia becoming dystopia? Analyzing political trust among immigrants in Sweden*
- 2011:9 Gavanoas, Anna & Darin Mattsson, Alexander. *Bland Rolexklockor och smutsiga trosor. Om skattereduktioner och segmentering på den svenska hushållstjänstemarknaden*
- 2011:8 Bäckman, Olof; Jakobsen, Vibeke; Lorentzen, Thomas; Österbacka, Eva & Dahl, Espen. *Dropping out in Scandinavia Social Exclusion and Labour Market Attachment among Upper Secondary School Dropouts in Denmark, Finland, Norway and Sweden*

Forskningsrapporter/Research reports

- 2016:2 Ekholm, Anders et al. *Bortom IT. Om hälsa i en digital tid*
- 2016:1 Carlsson, Christoffer. *Att lämna våldsbejakande extremism*
- 2014:8 Ekholm, Anders & Markovic, Drasko. *När vården blir IT. En underlagsrapport till eHälsokommittén*
- 2014:7 Lindblom, Clara. *Success factors for effective labour market projects*
- 2014:6 Lindblom, Clara. *Framgångsfaktorer för effektiva arbetsmarknadsprojekt. En jämförande studie av femton socialfondsprojekt*
- 2014:5 Bygren, Magnus; Lindblom, Clara & Szulkin, Ryszard. *The more things change, the more they stay the same. A follow up of participants in Social Fund financed projects*
- 2014:4 Karlsson, Jonas; Szulkin, Ryszard; Lindblom, Clara & Bygren, Magnus. *Nya aktörer inom arbetsmarknaden. Hur väl lyckas de och till vilken kostnad?*
- 2014:3 Bygren, Magnus; Lindblom, Clara & Ryszard Szulkin: *Framgång eller återgång till det normala? En uppföljning av deltagare i socialfondsfinansierade projekt*
- 2014:2 Mood, Carina & Jonsson, Jan O. *Poverty and welfare among children and their families 1968–2010*



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