Origins, developments, characteristics and future challenges
– introductory lecture

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The Nordic countries
Historical roots

• Thule – the land of barbarians, according to the Roman Tacitus

• Nordic countries (except for Denmark) were long conceived of as the wilderness without any value to Romans or other civilizations

• The Viking age changed all this. During the period 800-1000 AD Danish and Norwegian Vikings conquered land, looted and traded—created new civilizations and created a first “Nordic” political-cultural power centre
The Medieval Scandinavian power center

- Two (three) major power centers: the Danish (Norwegian) and the Swedish reigns
- The Kalmar Union (1397-1523): a union of three crowns – Denmark, Norway and Sweden
- The Hanseatic League: a commercial and political force with privileges granted by the Scandinavian and German rulers
- Initially Norway and Iceland were Danish territories (until 1814), Finland was a duchy of the Swedish Crown (until 1809). Norway independent 1905, Iceland 1944 and Finland 1917
Historical preconditions

• The power balance between the Crown and the aristocracy: no monarchial absolutism or mighty feudal privileges were possible like in many other European countries

• The majority of the Nordic peasantry was not under serfdom, and could own land, elect and remove rulers. This created a strong political force that both the Crown, the bourgeoisie and the aristocracy had to consider

• A strong focus on local government and the ability of the state to rule, implement reforms etc. created a general feeling of inclusion but also means for centralized political power, a "virtuous circle of democracy and social policy"
The state against markets

• The first steps towards a state provision of welfare were taken in the late 1800s, the current welfare state was consolidated in the post-war era.

• The development of the Nordic welfare systems was conditioned by the forging of class alliances between the agrarian population and workers.

• This has influenced the distributional logic of the model (universalism and income-related benefits rather than means-tested or voluntary benefits).
The Nordic model of welfare

• A relatively novel construction which refers to the similarities and distinctiveness of Nordic societies and their welfare institutions

• The ‘flying bumble bee’ – a paradoxical combination of economic efficiency and social equality?

• Since the 1990s, the model has gained a wide admiration for its achievements in terms of democracy, equality and economic performance (e.g. the Economist 2013)
One model or many?

• The Scandinavian or the Nordic model?

• Which countries to include? What about Iceland, Greenland, the Svalbard islands, the Faroe Islands, the Åland archipelago?

• A number of similarities that make the countries appear distinct in an international comparison, but at the same time there are also fundamental differences
Coming late – catching up

• Scandinavian countries the first to become modernized and industrialized with a modern welfare state, Finland and Iceland were laggards in this respect

• By Mid-1980 a ‘catch-up’ had taken place

• Since the 1990s, and the recession that hit Finland and Sweden exceptionally hard, we can see a higher level of variance and a less distinct model. This impression was somewhat strengthened after the international financial crisis 2008-2009
The similarities?

- Similar history, religion and culture

- Politically stable democracies, with long traditions of socialistic and agrarian values of egalitarianism

- The state’s role in planning, administering and over-seeing the economical sector as well as social policies is still central

- Flexible societies and states that have proved successful in (re)adapting to crises and globalization
The differences?

• Some differences in the ways that the responsibility for social policies are distributed between the state, local authorities as well as social partners (corporatism)

• Differences in economic structure and economic development (e.g. exposure to globalization, effects of the 1990s and 2008-2009 recessions)

• Some differences in social policies as well as the outcome they produce (longevity, health, equality, social trust)

• Sweden, Finland and Denmark members of EU (Finland the only EURO-zone member)
Characteristics of the Nordic model of welfare

1. Social policies are largely a public concern
2. High employment rates and active labour-market policies
3. Combination of universalism, occupational social rights and means testing
4. Service and educations states
5. High levels of well-being, income equality and low poverty
6. High levels of political legitimacy
7. Social policies – an prerequisite for economic performance and international competitiveness
1. Public social policy

• The role of the state crucial, but local authorities also have an important role for social and health services. The market and NGOs play an increasing role, especially within the welfare service system (e.g. elderly care)

• Social rights are generally mandatory and individualized with a broad coverage (universalism). The social policy system is encompassing and ensures not only social protection but also inclusion

• High levels of public social expenditures (approx. > 25 % of GDP)

• Mixture of tax-funded and employment-based financing - > high tax levels and work-related employment costs
2. High employment rates

• The influence of the state and corporations is central for the labour-market. Wage-settings and regulations are central, which has secured high wage standards and worker rights.

• Some differences in employment rates, especially when it comes to mothers with small children.

• "Full" employment has been a central objective, but during the 2000s this has become an

• Active labour-market policies: policies to reintegrate and activate the workforce.

• High labour-market participation of women (and mothers).
3. A mixture of social rights

• Most countries use a combination of universalism, occupational social rights and means testing, this is no exception in the Nordic countries

• The unique feature here is the broad coverage and the fact that social rights are paid to the individual, not the family

• Universal benefits are more common here than elsewhere. But also employment-related benefits (such as occupational sick insurance or pensions) or means-tested benefits (e.g. social assistance) constitute essential parts
Different social benefits

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<tr>
<th>Mandatory social insurance:</th>
<th>Social transfers</th>
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<tbody>
<tr>
<td>1) Pension insurance</td>
<td>• Universal (flat-rate) or means-tested social benefits (e.g. Child benefits, study allowance, housing benefits etc.)</td>
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<td>• Basic pension (&quot;folkpension&quot;)</td>
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<td>• Income-related pension</td>
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<td>2) Sickness and parental insurance</td>
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<td>3) Unemployment insurance</td>
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<td>4) Work-accident insurance</td>
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<th>Social assistance:</th>
<th>Welfare services:</th>
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<td>• Last-resort means-tested benefit</td>
<td>• Public social and health services (e.g. childcare, elderly care etc.)</td>
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4. Service and educations states

• Broad network of publicly financed social and health care services, such as elderly care, day care for children etc.
• The Nordic welfare state – a woman’s best friend? Creates jobs but also divides the labour market
• Publically funded, free education from pre-school education to university studies (with study allowances for higher education)
• Lately the market has got a stronger foothold within health care services and new ways of governance (New Public Management) have been tested in order to create internal markets and increase user democracy
5. The outputs of the model

- Relatively high level of income equality as well as poverty (creates equal opportunities and inclusion)
- High levels of well-being, longevity, social trust and self-related health. But rising levels of geriatric diseases, depression, drug use and suicides
- High educational, and technological level
- High degree of social mobility and equality (the education system is of central significance here)
- Since the 1990s we can see rising inequality and poverty rates (mainly due to economic turbulence, but also less progressive taxation and downscaled welfare generosity)
6. High political legitimacy

• Why do Nordic citizens (in general) love their welfare states?
• Broad and stable support for the welfare state, mostly among women and those dependent upon the system
• The higher one’s educational level and income, and the more rightist one’s ideological identification, the lower the support tends to be
• Leftist parties and trade unions are generally in favor of the Nordic model, while conservative and liberal parties, as well as employer organizations, are not
• Globalization and neoliberal critique has somewhat challenged this support
7. Social policies and economy

• Globalization is nothing new for Nordic countries. Due to their smallness they have been dependent upon their export industries to generate growth and thereby also well-being

• Measures intended to strengthen the export industry and to create stable terms of production have been crucial (e.g. agricultural or industrial subsidies

• Collective risk sharing has been seen as crucial for the reconciliation of economy and society

• Today when free trade and international openness is legio, international competitiveness is the key to economic success
  - > “the social investment state”
Challenges to the Nordic model of welfare
Three main challenges

1. Economic challenges
2. Political challenges
3. Social challenges
Economic challenges

• Globalization and increasing international competition forces the nation state to adapt (e.g. lower capital taxes)

• High taxes and benefit levels may gradually undermine the motivation to work and foster tax revolts

• Highly regulated labor markets can have a negative effect on company profits and thus enhance the outsourcing of production

• A increasingly instable capitalist order with recurrent crises
Political challenges

• Europeanization increases integration of domestic politics and produces new types of governance with increasing susceptibility to global ideas and policy recommendations (e.g. the EU or the OECD)

• A restricted room for political maneuver on the national level (Pierson: new politics of the welfare state)

• Increasing support for nationalist-populist movements

• The erosion of the labour classes has undermined Social democracy (despite the Third way) and strengthened for conservative and liberal parties, something that has also opened up for critique of the welfare state and led to welfare state reforms (e.g. unemployment benefit reforms, SOTE in Finland)
Social challenges

• Changing labour-market structures (less regulated and more stratified markets with an increasing low-income segment)

• Increasing inequality (opens up for social instability and nationalist-populist movements)

• Changing family structures
  • changing household structures (size and single parents) and more economically vulnerable families
  • increasing divorce rates (lone parenthood)
  • earning structure of the household (dual-earners)

• Increasing migration and immigration
Discussion: the best of all conceivable worlds?

• What is your opinion on the Nordic model of welfare? What do you see as the main advantages of this model, and what are the main disadvantages?

• What are the most striking differences between this model and the welfare model of your own home country?

• What do you think needs to be done in the Nordic countries in order to sustain the welfare model?