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THE WELFARE STATE

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CHAPTER 40

THE NORDIC COUNTRIES

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INTRODUCTION

THE notion of a distinctive Nordic or Scandinavian welfare state was born long before Esping-Andersen (1990) advanced his general claim that advanced welfare states cluster around qualitatively different regime types. In the early post-war decades, at a time when Europe was divided by the Iron Curtain, the Scandinavian countries, and in particular Sweden, were frequently mentioned—both in domestic and international policy debates—as epitomizing a successful ‘third-way’ compromise between unregulated capitalism and state socialism. Within comparative welfare state research, the distinctive nature of Scandinavian social policies came increasingly into focus from the early 1980s as functionalist convergence theory was challenged by proponents of the power resources school (Korpi 1980; Stephens 1979) emphasizing the role of class politics as a driver of the institutional variation of welfare states. Today, the idea of a Nordic model still serves as an important reference category for comparative welfare state research and a yardstick for reflecting welfare state change in the Nordic countries themselves.

Debates about the Nordic welfare model tend to involve at least three fundamentally different sets of questions that are not always clearly distinguished: has the model ever existed as an empirical reality (and what are its defining characteristics), are its features and outcomes desirable, and, finally, does it still exist and can it survive?

In the analysis in Chapter 39, the existence of a distinctive Nordic type of welfare state appears to be the least controversial of all the model attributions. But while it

may appear that the case for the existence of a Nordic model is strong, there is no consensus on the precise specification of the features that define the model. Traditionally the notion of a Nordic model simply (and somewhat vaguely) referred to an active state, a large public sector, and a broadly conceived public responsibility for the social welfare of citizens all within the framework of a market economy. But, as we shall see, in more recent debates, a range of other more specific aspects and attributes have been suggested as important, and even constitutive components of the Nordic model.

As already suggested, the idea of a distinctive Nordic welfare state has always had strong prescriptive overtones—most often as an example (model) to be followed by other countries, but also occasionally as a dystopia to be avoided. The appeal of the model stems from its alleged ability to produce desirable social outcomes, while at the same time maintaining economic competitiveness and full employment (Kangas and Palme 2005; Lundberg et al. 2008). While it tends to be generally accepted that the Nordic societies have been blessed with a range of beneficial social outcomes—such as a low degree of economic inequality, a relatively high degree of social mobility, gender equality, etc.—criticism of the model has mainly been focused on issues of economic efficiency and sustainability. High levels of public expenditure, the negative incentive effects of generous social protection, and above all high tax rates have been criticized as economically unsustainable and—in the long run—incompatible with economic growth (e.g. Lindbeck 1997; Andersen et al. 2007).

The popularity of the Nordic model—in academic as well as in policy oriented debates—has varied over time in close correspondence with fluctuations in the relative economic performance of the Nordic countries. It reached a climax in the 1980s as Sweden, Norway, and Finland were able to maintain full employment while the rest of Europe (including Denmark) continued to struggle with mass unemployment in the wake of the first and second oil crises. However, when Sweden and Finland and (on a smaller scale) Norway in the early 1990s themselves ran into severe macroeconomic problems, fiscal deficits, and record-high unemployment rates, confidence in the Nordic model faded, among both international and domestic observers. The concept has regained some of its former popularity in the period from the late 1990s onwards as all the Nordic countries experienced a return to fuller levels of employment. Even Denmark recovered from more than two decades of high unemployment combined with chronic balance of payment deficits to become a celebrated top performer in terms of macroeconomic stability and full employment.

In other words, the economic performance of the Nordic countries has once again become impressive, and—as a result of this—political and academic interest in the Nordic model has recovered. The question is, however, if and to what extent the model itself is still intact as an empirical reality in the Nordic countries.

In this chapter we concentrate on discussing the descriptive premises involved in the notion of a distinctive Nordic welfare model. We ask in what sense the Nordic welfare states constitute a distinctive type, and we discuss whether its core features have remained stable in recent decades. Although it should be emphasized that the existence of a Nordic model does not preclude the possibility of change over time in

response to new social, economic, and demographic conditions and challenges, we shall argue that welfare state developments in the 1990s and 2000s have posed serious questions concerning both the continuity and the coherence of the model.

COMMON ROOTS AND HISTORICAL TRAJECTORIES

Certainly the concept of a Nordic 'model' is misleading if it is taken to suggest that the Nordic welfare states were created according to a common preconceived master-plan. The features of the developed Scandinavian welfare states have a long history and are the result of political bargaining, step-by-step reforms, and their imperfect implementation. They are, in other words, the result of processes of political evolution rather than intelligent design.

As elsewhere, early welfare state developments in the Nordic countries were related to industrialization, and the associated series of social, demographic, and political changes: urbanization and the birth of the working class, nation building, and the break through of political democracy (C. Pierson 1991). In many respects, the circumstances in which these developments occurred in Scandinavia marked them out from the rest of Europe and comparative historical accounts have pointed towards a specific Scandinavian route to the welfare state (see e.g. Baldwin 1990; Alestalo and Kuhnle 1987; Esping-Andersen and Korpi 1987; see also the special issue of the *Scandinavian Journal of History* 2001, vol. 26, no. 3; and Christiansen and Markkola 2006).

First, there is the role of religion and more specifically changes in the division of power between church and state as a result of the Reformation and conversion to Lutheranism. The responsibility for poor relief was transferred from church to state, and as centralized state power was weak, local civil authorities (municipalities) were delegated the task of taking care of those who could not support themselves. This laid the foundation for a strong role for local public authorities in the management of welfare policies, in close cooperation with the central authority. In time, these responsibilities and powers came to be increasingly funded from taxation (Christiansen and Markkola 2006).

Second, the pattern of land ownership in Scandinavia was distinctive, giving a relatively strong and autonomous position to the peasant population. Family-run small farms were the basic units of production. Due to the late onset of industrialization, farmers remained an important part of the population and a powerful political force in their own right in contrast both to Britain, where the peasantry had long been assimilated into the working class, and those other parts of Europe in which feudal arrangements still prevailed. Independent farmers became one cornerstone of the Scandinavian tri-polar class structure, together with the working and upper classes (Alestalo and Kuhnle 1987). This distinctive class structure, and its consequences in

terms of party organization and support, underlines the importance in Scandinavia of building cross-class coalitions of political support for the welfare state project. It may also suggest why ideas of citizenship and equal rights found support amongst both farmers *and* workers, enabling cooperation and consensus. Social policy was not just a 'workers' question', but also included concern for the rural population, helping to pave the way for universalistic solutions.

Third, there is the distinctive role of (leftist) politics which was the leitmotif both of the classical power resources school and in Esping-Andersen's regime theory. In the 1930s social democratic parties came to power in all the three Scandinavian countries (Sweden, Denmark, and Norway) in alliance with agrarian and/or social liberal parties, and they immediately implemented important reforms in social protection (most notably old-age pensions and unemployment insurance) that contrasted sharply with Bismarckian social insurance thinking and at the same time departed from the existing tradition of discretionary poor relief (Stjernø 2004). In the first decades after World War II the social democratic parties in Sweden and Norway achieved an almost hegemonic position from which they were able to effectively control the expansion of welfare policies—in close cooperation with a powerful trade union movement. Also in Denmark the social democratic party was comparatively strong, but more dependent on collaboration with a liberal coalition partner. In Finland and Iceland, however, social democratic parties were significantly weaker and hence arguably less pivotal in the design and implementation of welfare reforms (Christiansen and Markkola 2006).

Fourth, it can be argued that the Nordic countries share social structures and cultural values that are particularly conducive to gender equality, and that women have had a uniquely important place in Scandinavian welfare state developments. Women achieved suffrage relative early in all the Nordic countries and the active role of female reformers may help explain why even early social policy legislation reflected the interests of women to an extent that distinguishes the Nordic countries from other advanced countries at the time (an emphasis on individual entitlements, the early introduction of transfers to single mothers, child allowances paid to the mother, etc.).

Incorporating the role of ideas is a fifth candidate to include among the possible roots of Nordic distinctiveness. It has been argued that the Nordic societies are characterized by a particular passion for equality with cultural and historical roots (Graubart 1986). Recently a book edited by Kildal and Kuhnle (2005) has posed the question of whether it is the institutions or the moral commitments behind them that matter most. They argue that welfare programmes are essentially expressions of moral conceptions and values, in which ideas like 'universalism', 'public responsibility for welfare', and 'work for all' play an important role. More broadly, research based on World Value Surveys and European surveys also contributes to our understanding of what is distinctive about political and social policy attitudes in the Nordic region (e.g. Ervasti et al. 2008).

The relative weight of these factors—the timing of changes, the distribution of powers and cleavages in society, and the form that new responses took—was, of

course, different in the various Nordic countries. While we can highlight historical similarities and shared practices, it is probably only after 1945 that the Scandinavian countries—operating in favourable economic and demographic conditions—started to emerge as a group with relatively similar social policy designs with Sweden as the forerunner, and Norway, Finland, Denmark, and Iceland as followers or partial outliers.

In summary, a number of structural factors point towards a common experience in the Scandinavian countries: reasonably similar structural conditions, parallels in political mobilization and class-based politics, the importance of public responsibility in the form of decision-making and administrative structures—at both central and local levels—and, rather later, a role for the social partners. Further, similarities between the countries favoured close contacts, diffusion of ideas, and mutual learning (see Petersen 2006). As a result, the Nordic countries bear some ‘family resemblance’, especially when viewed in a broader comparative framework (Castles 1993).

CHARACTERISTICS OF THE NORDIC MODEL

It has been said that the complexity of historical developments and causal dynamics require us to treat all cases as unique (e.g. Baldwin 1996). Adopting a critical tone towards typologies and regime analysis, Kasza (2002) argues that for various reasons—the cumulative nature of welfare policies, the diverse histories of policies in different welfare fields, the involvement of different sets of policy actors, variations in the policy-making process, and the influence of foreign models—national welfare systems fail to show the internal consistency that would be appropriate for the regime concept to have real explanatory power. Historical research has an eye for differences, and thus it is perhaps not surprising that the most recent historical reappraisal assessed the Nordic model as one with ‘five exceptions’ (Christiansen et al. 2006). It has also been argued that rather than a single uniform Nordic model, we have several Nordic models (Mjøset 1986), or different Nordic routes (for example, in relation to the development of pension schemes, Salminen 1993).

Whereas historical studies and detailed intra-Nordic comparisons point to differences, social policy research has tended to focus upon similarities in institutional design. By the mid-1980s, there was considerable evidence that the Nordic welfare states had developed a ‘distinctive welfare state model’ (see Erikson et al. 1987; Esping-Andersen and Korpi 1987; Esping-Andersen 1990; Kolberg 1991; Hansen et al. 1993). We have already referred to the role of the state and other structural factors as crucial for the Nordic model, but here we should also draw attention to the design of social insurance schemes, the role of services, and the functioning of the labour market.

The extensive role of the state and the wide scope of public policies, most generally evidenced in Sweden's high levels of social spending, were already widely commented on in the 1950s and 1960s. As the focus of research shifted in the 1970s and 1980s to consider how the welfare state operates, the scope and role of public policies was, in fact, further underlined as the power mobilization school showed that left power was related to the expansion of legislated social rights. In relation to social security benefits, most social insurance schemes across Scandinavia also had an earnings-related component which applied universally to all workers. In contrast to other groups of countries, where either only flat-rate basic security or occupational schemes dominated and where coverage criteria and social security patterns were different, this made these schemes stand out as being uniquely 'encompassing' (e.g. Korpi 1980; Palme 1990; Kangas 1991). Palme (1999) has argued that by establishing a model of social protection, in which uniform basic benefits and services based on residence were combined with earnings-related social insurance programmes, the Nordic countries took a distinctive path.

One of the aims in developing public solutions was to normalize the receipt of social security and to get away from the stigma associated with receiving public support. Cross-national comparisons of the institutional characteristics of welfare provision were offered as reasons why the Nordic welfare states achieved lower income inequality, lower poverty rates, smaller differences in standards of living, and more pronounced gender equality (e.g. Fritzell 2001).

One way to pinpoint the uniqueness of the Nordic model is to focus upon its combination or configuration of welfare state characteristics. Korpi and Palme (1998) set out to account for what they call 'the paradox of redistribution', arguing that social policies targeted at the poor turn out to be ineffective in abolishing poverty. Instead, their analysis shows that encompassing or inclusive welfare states achieve more equal income distribution and lower rates of poverty. These authors (2004) have further noted that the Nordic strategy of redistribution is constituted by generosity and broad coverage of transfers, combined with a strong emphasis on free or strongly subsidized service provision. Taken together, these necessitate higher social expenditure but also lead to a lower degree of income inequality. Abrahamson (1999*b*) argues similarly, that what matters in the Nordic case is not just the way that cash benefits have been designed, but the whole pattern of welfare provision (including services). The Nordic model can thus be seen as a combination or configuration of characteristics, some of which are not necessarily shared by all the Nordic countries.

In both Esping-Andersen's regime typology (see the discussion in Chapter 39) and other research based on the power resource perspective, the emphasis was placed upon social insurance and cash benefits, in terms of their coverage, financing shares, and compensation rates.

Assessing welfare state development in Scandinavia from women's perspective, Helga Hernes (1987) has pictured the Scandinavian welfare state as woman-friendly, giving women autonomy and allowing them the possibility of acting autonomously in politics, in the labour market, and as working mothers. While the role of caring

services is often—and rightly so—highlighted as beneficial for gender equality, the woman-friendliness of the Nordic welfare states is not just a result of an extensive provision of child and elder care services. It also stems from the early introduction of individual taxation and choices that define the rights to participation, social insurance, and services. Citizenship as a core entitlement principle, combined with individual rights and personal needs assessment in practice, have helped to reduce the dependence of women upon their spouses. The Scandinavian welfare states have developed into dual-earner societies, in contrast to Continental and Southern European countries, where female labour force participation is significantly lower and the male-breadwinner family still relatively prevalent.

Kohl (1981) was one of the first scholars to point to the extent of the public provision of services as a distinguishing characteristic of the Nordic countries in expenditure-based comparisons. During the 1990s this insight has been deepened as cross-national comparisons of service provision have become more prominent in welfare research (Alber 1995; Anttonen and Sipilä 1996; Lehto et al. 1999; Daly and Lewis 2000; Kautto 2002). The most distinguishing feature of the Nordic welfare states to emerge is the prevalence of local and publicly funded and produced health and social service provision, aimed to cater for a wide variety of needs of the entire population (Sipilä 1997). The extraordinary powers of Nordic local authorities are underlined in comparative research; taxation rights, broad responsibility, and legislated autonomy especially emerge as distinctive.

Finally, we need to stress—with Scharpf (1991: 89–97), who relies on Meidner and Hedborg (1984)—the close relation between social policy and employment policy, and the importance of a positive interplay between the unique nature of industrial relations (with high union density and coordinated wage bargaining) in the Nordic countries and welfare state development (see Christiansen and Markkola 2006 and Barth and Moene 2009). Importantly, the Nordic countries have always had high employment rates, both for men and women, and also among older workers. Nordic social policies were designed as trampolines that would allow the unemployed to ‘bounce back’, favouring risk taking and job change in dynamic labour markets through active labour market policies. Investments in social policy were seen as worthwhile provided they led to a higher level and more egalitarian distribution of welfare, and contributed to the maintenance of full employment and economic growth. Arguably the generosity of social policy in the Nordic fashion is only fiscally sustainable provided that a large proportion of the population is mobilized in the labour market and that reliance on income transfers is short-lived among the working age population. This helps to explain why publicly financed activation measures, understood as an investment in people’s skills and employability, have been so prominent in the Scandinavian context.

Given this background, the notion of Scandinavian distinctiveness could hardly have been regarded as earth-shattering news when Esping-Andersen’s *Three Worlds of Welfare Capitalism* was published in 1990. Given also what was already known about the Scandinavian model, it was the identification of Esping-Andersen’s other two regime types and the theoretical insights arising from these that struck the research

community and explain the continuing interest in welfare state typologies. For Scandinavian scholars at least, the corporatist-conservative and liberal regimes provided useful references for establishing what was distinctive about the Scandinavian policy package.

THE NORDIC MODEL: AN EMPIRICAL REAPPRAISAL

Esping-Andersen and other proponents of the power resource perspective have offered strong arguments for using institutional data to capture essential differences between modern welfare states. They have pointed out that many Continental welfare states resemble the Nordic ones in their high expenditure levels, but that policy design, coverage of schemes, and benefit rules in the two groups of nations are markedly different. Welfare regime analysis is based on the argument that it is the content of policies that matters more for outcomes than spending per se. Whilst this is true, we may note that the kind of social policy delivered in Nordic countries could hardly be achieved with low expenditure and that expenditure-based measures, if used in a sensitive manner (for instance, by disaggregating by type of programme: see Chapter 23), can be used as indicative measures.

Table 40.1 summarizes our account and highlights diversity in key indicators with OECD data for 1990, when *Three Worlds of Welfare Capitalism* was published. Levels of taxation, social policy spending, and public expenditure on welfare state services measured in proportion to GDP serve as proxies for the scope of the public sector. Gini coefficients measuring income inequality serve here as a relatively uncontested outcome indicator. The data are selected from two main OECD sources. Countries have been grouped according to the typology literature into what are seen as distinctive groups of nations. The Nordic countries are put at the top of the table to highlight their affinity on the selected indicators. Country rankings are intended to help the reader to judge each country's position in the OECD group, its proximity to other countries, and to assess intergroup similarity.

As can be seen from Table 40.1, in 1990, evidence of a grouping of Nordic welfare states was reasonably clear. Certainly, Sweden was the flagship with Denmark as her nearest companion. In terms of taxation, Finland and Norway came very close, but in terms of social spending these two countries could just as well feature in the company of Continental welfare states. However, spending figures for health and caring services distinguished the Nordic group very clearly from other groups, although France and Canada were also big spenders in this area. Spending on cash benefits (total expenditure minus service expenditure) did not reveal substantial differences. The strongest similarity amongst the Nordic countries is demonstrated in respect of the Gini coefficient that ranked these four countries as having the most equal income distribution in the OECD group. The table also shows reasons for treating Iceland

Table 40.1 Key OECD indicators of the role of the state in social policy (1990)

	Total tax revenue as % of GDP ^a		Public social expenditure as % of GDP ^b		Public expenditure for in-kind benefits as % of GDP ^c		Distribution of household disposable income among individuals ^d	
	1990	Rank	1990	Rank	1990	Rank	Mid-1980s	Rank
Sweden	52.7	1	30.5	1	12.5	1	19.9	1
Denmark	46.5	2	25.5	2	10.2	2	22.8	3
Finland	43.5	3	24.5	5	9.1	4	20.7	2
Norway	41.0	7	22.6	8	8.3	6	23.4	4
Iceland	30.9	17	14.0	19	8.3	6	..	..
<i>Nordic mean</i>	42.9		23.4		9.7		21.7	
France	42.0	5	25.3	3	8.8	5	27.6	9
Netherlands	42.9	4	24.4	6	6.7	10	23.4	5
Belgium	42.0	6	25.0	4	6.7	10	..	..
Austria	39.6	8	23.7	7	6.3	13	23.6	6
Germany	34.8	14	22.5	9	7.6	8	..	..
Luxembourg	35.7	13	21.9	10	5.8	16	24.7	7
Switzerland	26.0	22	13.5	21	4.8	21	..	..
Italy	37.8	9	19.9	13	6.5	12	30.6	13
Spain	32.5	16	20.0	12	5.6	17	36.7	18
Portugal	27.7	20	13.7	20	4.0	23	..	..
Greece	22.8	23	18.6	14	4.5	22	33.6	16
United Kingdom	36.3	11	17.2	16	7.3	9	28.6	11
Ireland	33.1	15	15.5	17	5.2	19	33.1	15
United States	27.3	21	13.4	22	5.3	18	33.8	17
Canada	35.9	12	18.4	15	9.8	3	28.7	12
Australia	28.5	19	14.1	18	6.0	14	31.2	14
New Zealand	37.4	10	21.8	11	6.0	14	27.0	8
Japan	29.1	18	11.2	23	5.0	20	27.8	10
Korea	18.9	25	3.0	26	1.7	26	..	..
Mexico	17.3	26	3.6	25	2.9	24	45.1	20
Turkey	20.0	24	7.6	24	2.3	25	43.5	19
<i>OECD Ø</i>	33.9		17.9		6.4		29.3	
<i>OECD σ</i>	8.9		6.9		2.5		6.9	

Notes:^a Indicates the share of a country's output that is collected by the government through taxes.^b Comprises cash benefits, direct 'in-kind' provision of goods and services, and tax breaks with social purposes.^c Public expenditure other than cash benefit expenditures, i.e. public consumption of goods and services plus capital investment in care infrastructure; primarily expenditure for residential care, health services, child day-care and home-help services.^d As measured by the Gini coefficients

.. = not available Ø = average σ = standard deviation

Sources: OECD 2009i, 2008d.

with special care. In assessing Norway's apparently lower spending than other countries in the group, it should, however, be kept in mind that GDP figures include Norway's oil revenues and that these comparisons necessarily underestimate that country's welfare effort.

Looking at the means and standard deviations in Table 40.1, it is clear that the Nordic countries stood out as a distinct group in all four dimensions covered in the table. Their average tax rate was 42.9 per cent, social spending 23.4 per cent, service spending 9.7 per cent and the Gini index 21.7. Moreover, if we relax our criteria and do not think it necessary to score high on all dimensions, but to score high on most dimensions, inter-group similarity and affinity to a Nordic ideal-type was even clearer.

The countries closest to the Nordic group can be found among the conservative Continental welfare states, where the status of Switzerland or Italy is debatable, but where their alternative positioning would not greatly affect the big picture. In the light of the figures here, the United Kingdom and Ireland could as well be grouped with the English-speaking countries overseas as systematically low spenders displaying high degrees of inequality. As can also be seen from Table 40.1, other OECD countries were a world apart, as were former CEE-countries at the time of their newly gained sovereignty.

A Nordic Model Forever?

There is obviously no one year that could mark a turning point in changing these welfare state clusters or their trajectories. If there were such a year, 1990 could be a feasible candidate, given that this is around the time at which concern about the fate of the Nordic model began to be voiced. At that time the bi-polar world order that had reigned since 1945 collapsed, the Soviet Union ceased to exist, and Central and Eastern European (CEE) countries gained a new independence and embraced a form of the market economy. The notion of a Third Way between capitalism and communism lost its appeal. Moreover, as already mentioned, the early 1990s marked a period of economic, employment, and fiscal crisis for Sweden and Finland, which resulted in serious reassessment of the role of public policy. These countries were forced to carry out savings measures to balance public budgets, while Norway and Denmark for somewhat different reasons enjoyed economic good fortune particularly through the latter half of the 1990s.

The early 1990s also marks a geopolitical watershed as Finland and Sweden abandoned EFTA and started their path towards integration in the EU, unlike Norway and Iceland which chose to stay out. Finland later adopted the euro as its currency while Denmark and Sweden retained their national currencies, a factor which inevitably further differentiated the mix of Nordic solutions. Moreover, global competition was increasing: the European Single Market underlined free movement in the EU, and deregulated capital sought lucrative investment opportunities, often guided by cheaper labour costs. Globalization, neoliberal ideas about deregulation

and marketization, and worries concerning competitiveness made governments more capital-friendly and affected relationships between the social partners.

In this context, a large joint Nordic research endeavour was mounted to study the evolution of the model in the years since the 1980s (Kautto et al. 1999). A key conclusion was that the Nordic countries still formed a distinct group of nations in terms of welfare policies in the mid-1990s. Only limited convergence with the rest of the OECD countries could be observed. The obvious potential for restructuring coming from macroeconomic as well as demographic and political pressures had not led to fundamental changes in benefit or service provision. Most forms of cash benefit had been reduced, especially in Sweden and Finland, but not to a dramatically lower level in comparative terms. The existing safety net still offered universal coverage in the mid-1990s. When it came to services all the known Nordic hallmarks were still present: universalism, high quality, tax funding, and public provision. Other studies have confirmed this lack of evidence of a major welfare backlash—be it seen as ‘retrenchment’ or ‘dismantling’—in the 1990s (Kuhnle 2001; Nordlund 2003; Castles 2002*b*).

Further research considered the Nordic cases in a larger European comparison (see Kautto et al. 2001; Kautto and Kvist 2002). Here the evidence for clustering was less strong, and no straightforward answer to the question of Nordic distinctiveness emerged from the findings. The Nordic countries as a group still tended to be different from other groups of Western European countries on key dimensions of policy and welfare. Taken together, there was more evidence for similarity than dissimilarity. Although convergence did seem to be occurring in some areas of the welfare state, overall developments tended to be characterized more by parallel trends. Sometimes even outright divergence was apparent as the empirical studies also demonstrated that a variety of policy responses to ‘common pressures’ existed. (Kautto et al. 2001)

So while Nordic welfare states had changed, in a broader comparison these changes were not of a kind to make scholars abandon the main lines of the regimes thesis. This is also the message of research by Kangas (2004), who considered the specificity of Nordic welfare in surveying state sickness insurance benefits in eighteen OECD countries. He showed that, while up until 1985 the Nordic programmes guaranteed better benefits than corporatist schemes, the situation had now changed. Nordic countries no longer provide higher compensation. In this respect, the two groups of countries have clearly converged, while simultaneously their distance from the countries with basic security or targeted schemes has increased. However, he also found that the Scandinavian schemes had largely preserved their universality, whereas the other country groupings had somewhat reduced their coverage. In another study, Abrahamson (2003) set out to evaluate whether recent major changes in welfare provision had merely modified the Nordic model or whether there had been convergence towards some kind of European social model. Abrahamson argued that there were many first order changes (such as reduced levels of benefits), but that a number of second and third order changes had also occurred; i.e. that the institutional setting and the objectives of the Nordic welfare states had, in certain respects,

changed during the 1990s. His conclusion was that the Scandinavian welfare states were undergoing a process of Europeanization, but were still distinct, if decreasingly so.

To sum up, comparative analysis through the 1990s and into the early 2000s suggests that some sort of Nordic distinctiveness remained. However, evidence concerning even more recent change is more open to interpretation.

Part of this ongoing change may be captured by looking at the same aggregate indicators we presented earlier (Table 40.1), but this time for 2005/6 (Table 40.2). The first thing to note is that we do not detect any radical alteration in countries' relative positions. Even after a decade and a half, past budgets continued to be good predictors of the current year's expenditure. Secondly, inter-Nordic dispersion in mid-2000 was somewhat more pronounced than in 1990. Thirdly, the Nordic countries also appeared less exceptional than in 1990. The redistributive budgets in the Nordic countries showed striking continuity, with a Nordic average of 24.2 per cent of GDP for social expenditure and 11.3 per cent for services, while OECD averages as a whole had risen by close to three and two percentage points respectively. On average, the Nordic countries had a slightly heavier tax rate in 2006, but a somewhat less singular performance in respect of income distribution.

Some of the indicators might even suggest that it would be more accurate to speak of a large cluster of Northern European countries rather than distinct Nordic and Continental (or Southern) clusters of countries. The role of the state in France, Belgium, and Austria appeared no less significant than in the Nordic countries. Nordic similarity remained reasonably apparent in terms of taxation, yet here too we encounter other countries with a similar profile. Moreover, while an emphasis upon services was still common in Scandinavia, it was not an exclusively Nordic phenomenon. At the same time, the income inequality indicator revealed convergence. In fact, OECD data on income inequality show that inequality has grown fastest in Finland and Sweden over the past ten years, although from a low initial level. Overall, OECD means have risen and standard deviations have declined, while Nordic averages have remained rather stable giving a much more mixed picture of country differences and some grounds to speak of 'catch-up' convergence.

Farewell to Nordic Unity?

Clearly, two tables with crude indicators are not enough to justify bold generalizations about the fate of a regime. However, in the absence of a single systematic study covering all the crucial elements, this data together with the review provided, should give the reader a picture of change in the Nordic welfare states. But we also have studies at the national level and they tend to point to more significant changes.

Palme et al. (2002) carried out a massive welfare commission analysis on welfare trends in Sweden in the 1990s. This analysis was an overall stock-taking assessment of changes in different welfare policies with extensive data on welfare outcomes for different groups in the Swedish population. The analysis pointed to a number of changes in the system and to unwelcome developments in welfare outcomes, including

Table 40.2 Key OECD indicators of the role of the state in social policy (2005/6)

	Total tax revenue as % of GDP ^a		Public social expenditure as % of GDP ^b		Public expenditure for in-kind benefits as % of GDP ^c		Distribution of household disposable income among individuals ^d	
	2006	Rank	2005	Rank	2005	Rank	2000	Rank
Sweden	50.1	1	29.4	1	13.6	1	24.3	2
Denmark	49.0	2	26.9	4	11.6	2	22.5	1
Finland	43.5	6	26.1	7	9.9	7	26.1	6
Norway	43.6	5	21.6	11	10.1	6	26.1	7
Iceland ^e	41.4	9	16.9	20	11.1	3	..	..
<i>Nordic mean</i>	45.5		24.2		11.3		24.8	
France	44.5	4	29.2	2	10.8	4	27.3	10
Netherlands ^g	39.5	10	20.9	14	8.5	13	25.1	3
Belgium	44.8	3	26.4	6	9.1	10	..	..
Austria	41.9	8	27.2	3	8.2	15	25.2	4
Germany	35.7	15	26.7	5	9.9	7	27.7	11
Luxembourg	36.3	14	23.2	9	8.8	11	26.1	7
Switzerland	30.1	21	20.3	16	7.8	17	26.7	9
Italy	42.7	7	25.0	8	7.7	19	34.7	21
Spain	36.7	12	21.2	13	7.4	21	32.9	18
Portugal ^f	35.4	16	23.1	10	..	..	35.6	22
Greece	27.4	23	20.5	15	7.1	22	34.5	20
United Kingdom	37.4	11	21.3	12	10.5	5	32.6	17
Ireland	31.7	19	16.7	21	7.7	19	30.4	14
United States	28.2	22	15.9	23	7.8	17	35.7	23
Canada	33.4	17	16.5	22	9.4	9	30.1	13
Australia ^{e,g}	30.9	20	17.1	19	8.7	12	30.5	15
New Zealand	36.5	13	18.5	18	8.4	14	33.7	19
Japan ^{e,g}	27.4	23	18.6	17	8.1	16	31.4	16
Korea	26.8	25	6.9	26	3.8	25	..	..
Mexico	20.6	26	7.0	25	4.9	24	48.0	26
Turkey	32.5	18	13.7	24	5.6	23	43.9	25
<i>Old OECD Ø</i>	36.5		20.6		8.7		30.9	
<i>Old OECD σ</i>	7.4		5.9		2.1		6.2	
Czech Republic (1995) ⁱ	36.7		19.5		7.8		26.0	
Hungary (1995) ^{g,i}	37.1		22.5		8.7		29.3	
Poland (1996) ⁱ	34.3		21.0		4.9		36.7	

Notes:^a Indicates the share of a country's output that is collected by the government through taxes.^b Comprises cash benefits, direct 'in-kind' provision of goods and services, and tax breaks with social purposes.^c Public expenditure other than cash benefit expenditures, i.e. public consumption of goods and services plus capital investment in care infrastructure; primarily expenditure for residential care, health services, child day-care and home-help services.^d As measured by the Gini coefficients.^e Tax figures for Australia, Iceland, Japan, and Poland are from 2005.^f Social expenditure for Portugal is from 2004.^g Health expenditure for Australia, Hungary, and Japan are from 2004. For the Netherlands, the figure is from 2002.^h The OECD average is from 2005 and refers to the countries listed above.ⁱ Data for countries joining the OECD after 1990 are included in the final rows of the table, but no rankings are provided, since this would limit direct comparability between Tables 40.1 and 40.2. The year of OECD membership is given after each new member.

.. = not available, Ø=average, σ=standard deviation

Sources: OECD 2009i, 2008d.

a rise in disadvantage, income inequality, poverty-risk, and increasing differences in levels of living. In the 1990s, single mothers, people born outside Sweden, families with children, and the young experienced more hardships than other groups and differences in incomes and living conditions had increased. Privatization of services and market-oriented management practices were also a new Swedish reality. The conclusion was that the Swedish welfare state was at a crossroads at the beginning of the twenty-first century.

Many of the social policy researchers who have analysed the development of the Finnish welfare state through the 1990s not only found changes in the system's characteristics, but also detected an ideological shift that can be seen in the revision of goals and changes in policy content (for references, see Kautto 2003). It is argued that Finland has grown away from a Nordic normative tradition with an emphasis on social rights, equity, and state responsibility. Several studies suggest that a real ideological shift occurred amongst policymakers in the early 1990s, with some arguing that Finland had taken a step towards more liberal policies, while others suggest that some of the changes point towards a conservative model.

Assessments are less gloomy for Denmark. Greve (2004) has examined the question of whether or not Denmark is still a universal welfare state. The initial basis for his assessment was a comparative-based analysis of the Nordic countries in respect of key welfare state parameters. The second element of his analysis was a case-based study of core areas of the Danish welfare state—pensions, unemployment, and early retirement benefit—to assess the distinctiveness of the Danish model. Greve concluded that the Danish model is more mixed today than it used to be, but that it continues to be distinctive in areas such as equality, full employment, spending on social security, and active labour market policy. Kvist (2003) in turn has underlined how Danish development in the 1990s was relatively favourable in contrast with a much poorer performance in the 1970s and 1980s. Activation, obligations, and targeting of benefits were part and parcel of Danish reforms, and local authorities were given even more say in activation measures and organizing services. Employment and the economy developed favourably, and close to the turn of the century, Denmark had encompassing welfare policies, progress in most aspects, with low unemployment and without significant increases in inequality.

In Norway, too, welfare state development seems more mixed. Here, welfare state reforms have put an increased emphasis on the responsibility to work. Obligations to work and qualifying conditions for unemployment benefits have been amended. On the other hand, the welfare state has been strengthened in other areas, especially in the area of family policy. In the health and social care sector, a focus on efficiency and market solutions has led to reforms inspired by New Public Management, but the primacy of public sector provision has not been challenged in any significant way. According to Botten et al. (2003) and Dølvik et al. (2007), the welfare state in Norway 'seems to be largely intact', although reform processes are complex and ambiguous.

As these short summaries show, Nordic welfare states do change, and they change in somewhat different directions. New policy lines have been adopted while some of the old ones have been abandoned or transformed. Moreover, core ideas of policies are

shifting and being debated: Nordic universalism is being reconsidered and notions and practices of citizenship as a set of social duties as well as rights feature more prominently in policy rhetoric and agendas (Hvinden and Johansson 2007). Also, the introduction of new mechanisms may have wide-ranging effects and the underlying goals may have undergone a more radical transformation. For instance, the pension reforms that have been carried out in all Nordic countries will have far-reaching consequences in the future (see www.reassess.no for information on an ongoing collaborative research effort involving researchers from all the five Nordic countries to take stock of the Nordic Model).

CONCLUSION

At the most general level, the Nordic model can be understood in terms of broad, tax-financed public responsibility and legislated, collective, and universalistic solutions that respect employment interests yet aim at welfare and equity goals. The global interest in the Nordic model is best explained by Scandinavian countries' long record of good economic as well as social performance.

This chapter has argued that the concept of the 'Nordic model' can be and has been understood in different ways. Historical studies have pointed to similarities that may explain the emergence of welfare state institutions, but have also highlighted differences between Nordic countries. Sociologically oriented comparative research in turn has stressed underlying similarities, at least in the 1970s and 1980s, when Nordic exceptionalism was demonstrated in high welfare state spending and the design of social rights. In regime theorizing, these similarities were extended to encapsulate causal factors, welfare state institutions and their interplay with other social institutions, and also their outcomes. Differences from other regimes highlighted reasons to be interested in Nordic policies. The model arguably appeared to be fairly robust in the early 1990s, despite the fact that new winds of change were already blowing at that time.

More recent comparative research and national studies have called into question the uniformity of the Nordic countries and their continued path-dependence. Welfare state adjustment in the 1990s and 2000s along a number of the dimensions central to regime analysis show a degree of dilution of the Nordic distinctiveness that featured in earlier cross-national comparisons. Seen from afar, the Nordic welfare states still look rather similar, as suggested, for example, by their continuing good performance in cross-national economic and social indicator lists. However, a closer examination of reforms and institutional developments in the individual countries of the region suggests that Nordic distinctiveness is by no means as self-evident or as straightforward as it was two decades ago.