CHANGING SOCIAL EQUALITY

The Nordic welfare model in the 21st century

Edited by Jon Kvist, Johan Fritzell, Bjørn Hvinden and Olli Kangas

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ONE

Changing social inequality and the Nordic welfare model

Jon Kvist, Johan Fritzell, Bjørn Hvinden and Olli Kangas

Introduction: inequality on the rise?

Nordic mass media regularly announce the end of equality in the Nordic countries – is it a reality or merely another example of journalistic dramatisation and myth-building? In this book we aim to clarify in what ways equality has actually characterised the Nordic countries and to what extent we now find less equality in earnings and disposable incomes, participation in paid employment and informal care, social participation, educational achievements and health and well-being. Assuming that we can confirm that there has been a shift away from equality, we should then be able to point to factors and mechanisms that have sustained a high degree of equality earlier on and similarly, to the factors and mechanisms that are now driving the Nordic countries toward more inequality.

Why is Nordic social equality changing? We take as our starting point the international trend of growing income inequalities. Although countries have become richer, at least up until the 2008 financial crisis (Atkinson and Morelli, 2010), affluence appears now to be more unequally divided, and the gap between rich and poor is widening. Whereas many countries have experienced different degrees and patterns of change in their distribution of income over the last three decades (see, for example, Atkinson, 2008; ILO, 2008; Kenworthy, 2011; OECD, 2008), we also find several commonalities. While a decreasing, or at least stable, degree of income inequality was the norm in the Western world for most of the 20th century, in the 1980s that norm suddenly started to change. The general picture has since become one of growing income inequalities.

But it is not only the overall trend of growing inequalities that is of interest. We now have ample evidence that the shift in trends has been particularly evident at the upper end of income distribution. The prime example is the US: in 2007, the year before the latest financial crisis, the share of the total income going to the top 1 per cent of the population was estimated to be around 23-24 per cent, or close to one quarter of the total (Reich, 2010). Interestingly, this share is matched only by that in 1928. Thus two general and difficult questions emerge. First, what are the causes of this upsurge of inequality? Second, what are the consequences?

Although aggregated economic indicators and the distribution of income and wealth are important, the concepts of welfare and social inequalities are broader.

In the European Union (EU), scholars and policy makers have sought to advance and promote new and better indicators and targets that are closer to individuals and more amenable to policy interventions (see, respectively Atkinson et al, 2002; Europe 2020, 2010). Such broader perspectives on welfare, well-being and social inequality are also highlighted in the 2010 Sarkozy report (see Stiglitz et al, 2010). Arguably, these broader perspectives on welfare, well-being and social inequality are not necessarily new but rather very much in line with the Scandinavian strand of welfare research that for four decades has emphasised the multidimensionality of welfare. In this book we build on the Nordic strand of welfare research in our investigation of how social inequalities are changing.

More than money: the Nordic welfare strand of welfare research

Despite no generally accepted definition of welfare, the Nordic strand of welfare research has drawn much on Richard Titmuss's (1958) concept of welfare as command over resources. One of the main founders of Nordic welfare research, Sten Johansson (1970, p 25), defined an individual's level of living as 'the command over resources in terms of money, possessions, knowledge, psychological and physical energy, social relations, security and so on by means of which the individual can control and consciously direct her conditions of life', while defining welfare as the living conditions in the areas influenced by politics.

This perspective has several important theoretical features: first, the perspective on welfare is explicitly actor-oriented. The good life is not directly defined. Empirically the perspective involves a focus on conditions promoting or constraining individual agency. Second, according to this perspective welfare is multidimensional, including both material and intangible resources, while making collective resources essential in many phases of life. Unlike many previous approaches, the perspective has not been limited to economic hardship but rather included other important aspects of well-being that must be taken into consideration when analysing well-being or the lack thereof (Johansson, 1970, 1979). Johansson proposed that one could measure and evaluate human well-being on nine components: health, employment, economic resources, knowledge and education, social integration, housing and neighbourhood, security of life and property, recreation and culture, and political resources. Johansson's conceptual map laid the basis for the successive Swedish Level of Living Surveys, later to be replicated in some form in all the Nordic countries. For example, in his comparative Finnish project, Erik Allardt shifted the focus from resources to the level of need-satisfaction described by the catchwords 'having, loving and being' (Allardt, 1975, 1993).

The Nordic strand of welfare research has a clear affinity to Amartya Sen's focus on the abilities of individuals to fulfil their own potential (see, for example, Sen, 1992). According to Sen's capability approach, much more than the elimination of the monetary hardship is at stake in debates about poverty. Non-poverty means

not only that one has sufficient money to make one's ends met but also that one has the ability to function, that is, one has the resources and knowledge to make conscious life choices that one is capable of realising. While Sen (1985) puts stronger emphasis on freedom of choice in evaluating welfare than the Nordic tradition of welfare research usually does, Johansson also covered this dimension when he talked of the individual's capcity to 'control and consciously direct his living conditions' (Johansson, 1970, p 25). His most telling example is a comparison between two individuals who starve: one because of poverty, the other because he or she has made the deliberate choice to fast. That the welfare of the latter person is better than that of the former constitutes a reasonable assumption. Despite slight differences in emphasis, the basic theme of the Nordic approach is a very wide concept of welfare that is always multidimensional and that includes the quality of life aspect (for a more elaborate discussion of the Scandinavian welfare concept, see, for example, Fritzell and Lundberg, 2005).

Equality means different things to different people. Hence, one of the first tasks of a scientific study of social inequality is to specify and define what aspects and dimensions we are examining. As Sen (1992) points out, all social ethics make some form of equality worth pursuing. The desired equality may not necessarily be in outcomes but in opportunities or basic rights. In this book, we are interested in social inequality as it relates to welfare and the ways in which changes in institutional arrangements and public interventions may have an impact on the level and distribution of welfare and potentially erode redistributive processes.

We adopt a broader perspective on welfare and inequality than merely that of studying gross domestic product (GDP) per capita or the distribution of income. This book is largely about how the activities and programmes of the welfare state affect patterns of social inequality. While the capacity for redistributing income is a key characteristic of welfare states, other important characteristics include the ability to provide free or affordable services (for example, related to health and care) of high quality to all who need such services and to protect individuals against illness, incapacity and premature death.

Aim of the book

When investigating the role of welfare states in changing social inequalities, we need precise understandings of both the goals and the designs of welfare states and of the achieved patterns of welfare. Such patterns – what researchers often term 'outcomes' – are both determined by the efforts of welfare states and influenced by other societal players such as employers, voluntary organisations and families, and in many instances by individuals themselves. In some cases families, voluntary organisations and employers complement one another, as well as complementing the welfare provided by government. In other cases these groups serve as alternative ways of meeting the same kind of need.

The role of Nordic welfare states has not only been to ameliorate problems after they have occurred but also to prevent such problems from happening in

the first place. International scholarship has increasingly framed such prevention in terms of 'social investment' (see, for example, Giddens, 1998; Jenson, 2001; Esping-Andersen et al, 2002; Morel et al, 2011). The aim is to prevent societal structures from making it difficult for individuals and groups to realise their full human potential. Many structural factors are greatly significant for the individual's life chances by shaping the conditions for his or her choices and adjustments. Basic conditions include *when* one was born, *where* one was born and *who* one's parents are, conditions over which no person has any influence. The Nordic welfare model thus seeks both to modify current patterns of income inequality and well-being and to reduce social inequalities in individuals' chances of finding a job, forming a family and excelling in society. This goal entails a much bigger role for the nation state in securing the welfare of its residents than we usually see in other countries. Whether the Nordic welfare model is more successful at curbing social inequalities than other welfare models in the face of changing structural or external factors is a key issue for empirical investigation.

The purpose of the book is therefore to answer the big question: *Are the Nordic countries stemming the international tide of inequality better, worse or perhaps just differently than other countries?*

Given the comparatively strong and persistent values attached to equality and equalisation in the Nordic countries, an obvious task for research is the investigation of the extent to which the circumstances of Nordic countries are actually characterised by equality, regardless of whether these empirical patterns are framed as 'initial conditions' before redistribution efforts or as 'outcomes' – achievements or shortcomings – of such efforts. A related issue is whether the different Nordic countries have the same capacity for redistribution, despite the somewhat dissimilar institutional designs of their welfare provisions.

Studying changes in social inequality

Do we see new forms of inequality?

While the Nordic countries may have returned to earlier and even higher levels of inequalities in some areas, we are also more likely to find new mechanisms behind inequality, and possibly new forms of inequality related to, for example:

- greater migration-driven ethnic diversity;
- more changeable patterns of partnering, parenting and cohabitation;
- growing contrasts between the purchase power of dual and single-earner households;
- new panoramas of health and social adjustments in the Nordic populations;
- redefined division of responsibilities for risk protection and service provisions between public and private actors.

Several chapters in this book deal with such new forms of, and mechanisms underlying, the emerging patterns of social inequality.

Are we now framing inequality in new ways?

Partly related to changes in forms and mechanisms, we also see that the framing or vocabulary of social inequality is now significantly different from that of two or three decades ago. For example, both policy makers and researchers have adopted the discourses of exclusion, misrecognition, segregation, discrimination and inaccessibility – terms that were hardly known or used much more rarely three decades ago. As a result of this shift, when people today speak of increasing inequalities they may have in mind something different from or more complex than traditional class inequalities.

The Nordic countries are currently struggling to absorb and accommodate equality conceived as 'equal worth' and 'parity of participation' (Fraser, 1995, 2008; Hobson, 2003), rather than giving in to the impulse to treat equality only as a question of 'sameness' or 'homogeneity' (Gullestad, 1996, 2001). Notions or myths of homogeneity have historically served as conditions for Nordic willingness to share risks and redistribute resources through collective and solidaristic arrangements. Some scholars believe that increased difference and heterogeneity are undermining the condition of homogeneity, and thereby directly or indirectly weakening earlier mechanisms for equalising circumstances and living conditions (see, for example, Alesina and Glaeser, 2004; Putnam, 2007). In Chapter Two, Henning Finseraas in particular takes up and responds to this prominent strand of current international research.

The Nordic welfare model and inequality

Regardless of whether people believe that inequality is good or bad for society, they usually agree that, globally, the Nordic countries have made the greatest efforts to curb inequalities. Historically, the development of the Nordic welfare model differed among the Nordic countries, with Denmark and Sweden being early movers and Finland the laggard (for more, see Kangas and Palme, 2005; Christiansen et al, 2006). Nonetheless, although constitutive principles such as universal coverage and collective financing were introduced early in social insurance schemes, the Nordic welfare model became distinct from other country models only when public sector services were introduced and expanded from the 1960s onwards. The Nordic scope of the more or less universal access to a wide range of public sector services is unparallelled in the world. Equal access to benefits has also contributed to a large degree of equality in outcomes. The ability to balance equality and efficiency has attracted attention outside the Nordic countries since the 1960s.

A passion for equality?

Equality and equalisation of people's circumstances have been values or ideals enjoying wide popular and electoral support in the Nordic countries, to the point where some observers have talked about a 'passion for equality' (see, for example, Graubard, 1986; Marklund, 1988). Such values are reflected in the objectives and premises for public policies to provide universal income protection and access to high-quality services and to a considerable extent, even for the system of collective bargaining about wages and occupational benefits. It is not entirely clear whether the ideal of equality is shaped by institutions and actors, or whether the institutions and elite actors are shaping the values and norms.

According to Walter Korpi and Joakim Palme (1998), a paradox of redistribution exists. They argue that in a universal welfare state redistribution includes the middle classes, thereby gaining their support for broader redistributive policies that benefit not only the middle class demand for generous social insurance and high quality services but also the low-income groups who receive more and better benefits than they otherwise would have. In contrast, targeted redistribution in selective welfare states that give benefits only to the lowest income group tends to result in lower benefits for these groups. Bo Rothstein (1998) argues along the same lines when he states that over time, the initial choices of the establishment of universal programmes influence the values of citizens. These citizens then become more solidaristic and ask for more redistributive institutions. Whether ideals or institutions came first is a question resembling that of the chicken-or-the-egg. Whatever the cause, the existence of these institutional arrangements has likely served to maintain or reproduce the value of equality or the preference for relatively small differences in the social and economic circumstances among inhabitants of the Nordic countries.

A passion for work?

The Nordic populations also share a passion for work. It is both a goal and a means. Participation in work is broadly seen as a goal in itself. Similarly, lack of work is broadly conceived as a problem for both the jobless person and society at large. Thus, having a job is understood as being the key to achieving autonomy and emancipation. For example, since the 1960s Nordic women have entered the labour market in increasing numbers, culminating with the conversion of many part-time jobs to full-time jobs in the 1990s and 2000s (Leira, 1992; Lewis, 1992, 2006; Lister, 2009). The aim of gender equality through women's participation in the labour market reads as a 'one long farewell' to women's role as housewives and economic dependents (Ann Orloff, forthcoming).

Work is also crucial for the sustainability of the Nordic welfare model. Simply put, because the model is extensive it is also costly, thereby demanding that as many people as possible engage in paid work and pay taxes and social security contributions that finance the model. People are either in work (and earning

an income through which they can provide for themselves) or they are out of work (and in almost all cases receiving social security or social assistance benefits). So, the more people who work, the more people finance the model, the fewer receive benefits.

Reflecting the well-known trade-off between equality and efficiency, many outside the Nordic countries believe that the Nordic welfare model is a paradise for the work-shy. Moreover, some welfare state scholars may have been misled by the concept of decommodification, one of the guiding principles of the famous typology of welfare states by Gøsta Esping-Andersen (1990), believing that the Nordic countries have sought to make people independent of the labour market. Indeed, these scholars portray the Nordic welfare states as being high on 'decommodification' (a measure of the degree to which citizens were independent of the cash nexus, the labour market, through accessible and generous benefits). However, nothing could be further from the truth: a number of measures aim at full employment. In addition to education, active labour market policies, childcare, taxation, social assistance, healthcare and various forms of social care all have the aim of enabling participation in the labour force, and more generally, in society at large.

The Nordic governments expect most people receiving non-employment benefits to attempt to find work. As part of planning their re-entry into the labour market, most benefit claimants interact with agencies such as employment exchanges, social workers and doctors. As various chapters in this book document, the Nordic countries provide not only relatively accessible and generous benefits, but also strong obligations for benefit recipients to accept activation offers, work offers, or both (Kvist, 2002; Johansson and Hvinden, 2007b). When claimants do not comply with such requirements, they often face harsh sanctions such as the temporary or permanent reduction of benefits, if not their complete withdrawal.

Many benefits reward employment. Social insurance schemes in the Nordic countries reward individual employment in much the same way as elsewhere in Europe. Generally, the longer that one has worked and the more that one has earned, the bigger contributions one has made, then the larger benefits one is likely to receive if one becomes ill, work-disabled, unemployed or old. Guaranteed minimum benefits ensure the adequacy of benefits, and benefit ceilings curb the generosity of benefits for middle and high earners. If the Nordic countries had Robin Hood-style systems, one would expect high guaranteed minimum benefits and low benefit ceilings. True, Nordic guaranteed minimum income benefits are often larger for social insurance than elsewhere in Europe (but no longer so for social assistance; see Kuivalainen and Nelson, Chapter Four). But benefit ceilings in the Nordic countries are set so high that middle-income earners receive benefits as high as they would in Continental European countries. Finland, for example, has no benefit ceiling for most social insurance schemes, making it 'more Continental' than Germany in this regard. One interpretation is that the loyalty of the crucial middle classes comes at a price, as stipulated by the 'paradox of redistribution' thesis.

These supportive, coercive and rewarding measures all aim at motivating individuals and helping them find work. Policies for boosting employment have the double aim of enabling people to support themselves in the labour market and of reducing social expenditure. In short, the Nordic welfare model is extremely oriented towards work and employment. Changing social inequality is therefore primarily a matter of changing accessibility to the labour market and enabling all social groups to participate irrespective of their gender, age, education or skills, ethnicity, or place of residence.

How can social inequality be changed?

Taking from the rich and giving to the poor, known as vertical redistribution, has, since the days of Robin Hood, constituted a central way of changing social inequality. The chief instrument of the welfare state is direct cash redistributional policies, that is, taxes and cash benefits. To protect everyone against destitution, a social safety net exists in the form of social assistance and other minimum income schemes in all European countries. From the Nordic viewpoint, however, because other policies (education, active labour market policies and social insurance) are supposed to help people maximise their chances of becoming self-providers, means-tested social assistance should be relatively generous and go to small groups as well. In Chapter Four, Susan Kuivalainen and Kenneth Nelson investigate whether developments over the past 30 years leave this picture intact or whether we need to reconsider our understanding of 'last resort' social assistance in the Nordic countries.

Distribution over the life course, known as horizontal redistribution, is another key function of the welfare state (see e.g. Salverda et al, 2011). Children and young people, or their families, receive benefits such as child family allowances, subsidised childcare and education. Adults receive benefits such as pensions, healthcare and social care. Distribution over the life course depicts how people of working age both *pay back*, through tax and social security contributions, what they have received, and *pay towards* their retirement. The Nordic welfare model has moved beyond the traditional demogrants such as child family allowances and old age pensions, which appear in all types of welfare states associated with encompassing services. Indeed, it is the important role of social service that makes the Nordic welfare model unique. In Chapter Five Meagher and Szebehely examine the development of day care services for children.

Insurance is an important instrument of distribution, with a variety of social insurance programmes paying out benefits (for example, income transfers) to people who become unemployed, ill or work-disabled. As with other welfare models, the Nordic countries have extensive social security schemes for wage earners. What makes the Nordic countries stand out here is not so much the social security benefits (which are not always particularly accessible or generous), but rather the way in which these benefits come bundled with active labour market

policies, encompassing childcare, free healthcare, rehabilitative measures and other benefits that help transitions back into work.

Indeed, the most distinct Nordic instrument for reducing social inequalities is not cash benefits such as social assistance and social insurance, but a vast amount of services in the three core areas of the welfare social services: society, education and health. Most obviously, most Western societies have healthcare arrangements so that people can usually afford medical treatment regardless of the size of their wallet. But benefits-in-kind also refer to the care sector more generally. As highlighted by classic texts on the development of welfare states, the social services constitute a cornerstone for reducing social inequalities by giving equal access to healthcare, elderly care, education and hence guaranteeing equal opportunities in life (Tawney, 1964; Titmuss, 1974).

Positive and negative impacts of Nordic equality

A substantial strand of scholarship has argued that fairly equal patterns in the circumstances of the inhabitants of the Nordic countries have contributed to several positive traits in these countries. These include solidarity with other than one's own (extended) family, high inter-personal and inter-group trust, collaboration, willingness to enter pacts with groups with other interests, social capital, economic effectiveness, engagement in voluntary activities and taking responsibility for society and the common good (see, for example, Wilkinson and Pickett, 2009; for counter-arguments, see Snowdown, 2010). Some researchers maintain that Nordic social equality is part of a self-reinforcing and self-sustaining process involving complementarities and positive feedbacks, that is, an 'equality multiplier' (Barth and Moene, 2010; Austen-Smith et al, 2008).

By contrast, other observers have argued that Nordic equality is (also) associated with less desirable and unintended consequences. These include an undermining of the incentive to work (especially at the lower end of the income distribution); a tendency to marginalise or exclude the less qualified, fit or productive; and a lack of dynamism and innovation, a lack created by excessive public responsibility for people's well-being, interference with people's private arrangements and heavy tax burdens (see, for example, Andersen et al, 2007). Yet others argue that the high responsibility of the state might also undermine other formal and informal social contacts, networks and care. These scholars see too little freedom of choice and self-responsibility in the Nordic countries.

Welfare regimes and inequality

No matter how hard scholars and observers disagree about equality being good or bad for economic growth and other issues, they all agree that the Nordic welfare model is the showcase for reducing inequality. When contrasted with the Anglo-Saxon or Continental European welfare models, the Nordic model has indeed

stood out for curbing inequalities (Esping-Andersen, 1990; Esping-Andersen and Myles, 2011). But what are the differences in these three welfare models?

The Anglo-Saxon welfare model emphasises private initiative. The state secures welfare when markets and families fail. Private welfare arrangements abound in this model, especially when compared to those in the two other models. The state promotes private welfare schemes, not least through favourable tax treatment. The lion's share of state welfare provisions is targeted at the needy, primarily through means-tested minimum income schemes for those outside the labour market and with tax credits for low-income workers, with particularly advantageous arrangements for families.

The Continental European welfare model illustrates how the state does not necessarily redistribute but rather preserves and reflects inequalities in the labour market. When initially introducing social insurance in the 1880s, German Chancellor Bismarck did not want to reduce inequalities but instead wanted to prevent revolution by obtaining the loyalty of the working classes. Following in this tradition, the Continental European social insurance arrangements have been reproducing the existing stratification in the labour market. People have to earn access to benefits by paying social insurance contributions; the size of the benefits has often been set as a share of former earnings, and the duration of some benefits (such as unemployment insurance) has been related to the length of the previous work record. Labour market inequalities then translate into other social inequalities when people receive welfare benefits. Room for private welfare schemes has been crowded out by the relatively generous statutory schemes for middle-income earners. Public social services have been more or less scarce, because providing social care, for example, has been the responsibility of either families or the voluntary sector. Child family allowances have been comparatively generous, helping families meet their needs without mothers needing to work and hence children needing to go to day care centres while mothers work.

Historically, and in contrast to the other two models, the Nordic welfare model has emphasised reducing social inequalities. Attempting to narrow the gap in social inequality has involved more than taking from the rich and giving to the most poor or facilitating social insurance and savings mechanisms for those with jobs. Changing social inequality has meant changing the roots of inequality, whether these roots are based in the market, civil society or families. State interventions have received more support and acceptance in countries with the Nordic model than in those with the other two welfare models. In the name of equality, generous state welfare provision and regulation have crowded out market provision and are available not only for the poor but also for the middle classes.

Pressures on the Nordic welfare model and inequality

Many argue that the welfare state has always been in crisis or under pressures that have changed over time (Esping-Andersen, 1999; Jæger and Kvist, 2003). Historically, the most common pressure has been connected to the 'big trade-off

between equality and efficiency' (Okun, 1975). Welfare states attempt to create some form of equality by collecting taxes; spending money leads to inefficiencies. Relatively sound public finances and ratings by global credit agencies at the top positions in various competitiveness rankings suggest that the Nordic countries have managed to avoid this trade-off. In addition, many of the current pressures relate to factors outside the welfare state and may in effect call for more rather than less of a welfare state of the Nordic equality type. For example, extensive and inexpensive childcare can be viewed as serving two goals: first, it reduces social inequalities by enabling traditional carers (mostly women) to combine work and family life, thereby boosting the labour supply, which is crucial with ageing populations. Second, such childcare constitutes a social investment in children, who will eventually become better workers and taxpayers.

Overall, the pressures on the Nordic welfare model and inequality are internal and external. Internal pressures stem from demographic changes such as the growth of ageing populations and minority group populations. External pressures primarily stem from economic factors such as globalisation and the financial crisis. Yet other pressures result from social or political changes.

Ageing population

The Nordic populations are undergoing profound demographic changes, as are almost all Western industrialised countries. Large cohorts are retiring as smaller cohorts are entering the labour market. Not only are the elderly living longer, but the share of elderly is also increasing, a situation known as the 'double-ageing' challenge.

When fewer people have to take care of more older people, questions related to equality and welfare arise. Because the Nordic welfare model has universal and largely tax-financed national old age pensions, as well as social and health services for the elderly, pressure for reform builds, to ensure the model's economic sustainability and to find enough staff to provide services. The Nordic countries have already reformed old age pensions, trying to raise retirement ages and reduce the generosity of pensions, with obvious distributional impacts. Moreover, the ageing of the population intensifies the competition for labour, and the public sector will find it increasingly difficult to attract and retain sufficient numbers of service workers (ranging from social and health assistants, nurses and child carers to highly skilled doctors). As both economic and staff issues jeopardise the prospects of the Nordic welfare model, they also affect social inequality, which the model has done so much to reduce. Thus ageing populations may create a crowding out effect on the comprehensiveness of the Nordic model, both in benefits for the elderly and in the form of fewer resources available for other welfare state policies.

Multicultural societies

Another demographic development over the last 30 years has been the development of multicultural societies. Driven by immigration, increased ethnic diversity involves more multifaceted sets of values and preferences, for example in gender and family issues, in the Nordic countries. Partly because of these changes and partly because of patterns of job qualifications and language skills, as potential employers perceive them, overall employment rates are lower for several of the newer ethnic groups in the Nordic countries (see Chapter Nine, this volume). Together with the way in which the Nordic countries have designed their income maintenance systems, lower employment rates contribute to a higher risk of poverty in these newer ethnic groups.

Immigration and the lower employment rates of immigrants and their descendants may also prove an economic pressure on the Nordic welfare model. Such pressures occur if immigrants and their descendants withdraw more money from the welfare state in the form of social protection, health services and other benefits than they contribute through taxes and social security contributions. Chapter Nine discusses the relationships between immigration-driven ethnic diversity and the economics of the welfare state.

Finally, increases in multiculturalism may create pressures for the Nordic welfare model and social inequality by jeopardising national support for it. If majority citizens become less willing to pay taxes because they believe their tax money is going to people unlike themselves, immigration and multiculturalism may thus constitute a pressure on the model even without real economic pressures being exerted on it (see Chapter Two, this volume).

New policies

Ongoing restructuring of public welfare provisions, motivated by concerns about demographic ageing and long-term sustainability (especially of the income maintenance systems and the perceived need to improve incentives to labour market participation) may also have adverse distributional consequences. People belonging to groups that employers are less likely to see as attractive job recruits or who may be victims of discrimination – for example, low-skilled people – members of minority ethnic groups, or people with disabilities – are at risk of being negatively affected by such restructuring of welfare provisions. In such cases, supply-related measures such as improved financial incentives or the 'upskilling' of individuals without work will prove insufficient. Although stronger demand-oriented measures such as positive duties for employers and other forms of affirmative action may help, such measures may challenge Nordic agreements between employers, trade unions and governments and therefore may attract resistance for constituting undue interference with employer prerogatives and a good collaborative climate between the social partners (Hvinden, 2010).

Finally, some scholars argue that the Nordic welfare model is an old system in a new world and that its strong emphasis on universalism and equalisation is outdated. Universalistic one-size-fits-all solutions, they argue, should give way to more differentiated solutions based on group needs or even on personalised provisions planned in close dialogue with the individual in question. Freedom of choice has become more important, at least when one goes beyond a guaranteed minimum of provision and quality of standard in still more areas of the welfare state (Kvist and Greve, 2011). These criticisms come in several forms: for some, a demand that the entire model change; for others, necessary adaptations for ensuring the survival of the model's most fundamental basis (for discussions, see Gier and van den Berg, 2005; Johansson and Hvinden, 2007a; Greve, 2007; Hanssen and Helgesen, 2011). What the critics argue in common is that the Nordic countries should promote freedom of choice in their policies and a weakening of the passion for equality or at least for universal solutions. So the question remains: have the Nordic countries become more similar to other wealthy countries? For more on changing attitudes, see Chapter Three, and for more on policy responses, see Chapter Eight.

Structure of the book

This book stands in a series of applied empirical social research on the Nordic welfare model. The first two books in this tradition highlighted the historical development of the Scandinavian welfare model and the tradition of Level of Living Surveys (Erikson et al, 1987; Hansen et al, 1993). The next two books took stock of the Nordic welfare model, especially how it fared in the financially difficult 1990s, in Finland and Sweden in particular (Kautto et al, 1999, 2001). The conclusion of the latter book was that, although the distinct policy traits of the Nordic welfare model seemed intact, many scholars contributing to these books anticipated adverse changes over time, after different social, economic and policy programme changes were implemented and had resulted in outcomes such as higher poverty and increasing inequality.

As a full decade has passed since the 2001 publication of the last book, we are confident that we can now tap into such effects outcomes from the changes in the late 1990s and that we can assess whether they are marginal or fundamental in scope and nature. To examine whether changes are fundamental or marginal, the analysis in the following chapters are – as far as the data permit – covering a period of about three decades.

So are we witnessing the end of equality and the Nordic welfare model? Creating an anthology on changing social inequality entails investigating what is happening over a broad spectrum of themes and policies. To compare developments in only one area involves the risk of never knowing whether that area was representative of the overall development or not. In social science jargon, the 'external validity' of the findings would be low. We thus aim at increasing the external validity of

the findings by investigating a number of crucial aspects and comparing their findings in a concluding analysis.

Can we change social inequalities? Another reason for analysing a wide range of the factors and policies in the Nordic welfare model is that reducing social inequality depends on a series of different efforts. To do justice to this broad notion of social inequalities, one must include studies on many of the dimensions that serve as conditions for the model. Only by assessing these efforts in a wider context can one see whether the capacity of the Nordic states for reducing social inequalities is changing.

Changing social inequalities is at the heart of the Nordic welfare model in the broad sense set out earlier. If we find increased demographic, social and economic pressures, and decreased support, as well as more inegalitarian policies put in place, the Nordic welfare model as we know it, with its strong emphasis on reducing social inequalities, is history. Put less bluntly, we would have to conclude that the Nordic welfare model at the very least is undergoing a transformation (see also Kvist and Greve, 2011).

Each of the chapters in this book contains analyses focusing on one or several aspects of social inequality. To the extent that the data allow, the analyses are cross-national in three ways, so as to better inform our assessment of how the Nordic countries are doing vis-à-vis other countries in changing social inequality. First, the design is comparative because the chapters cover various situations in different countries at the same time, providing knowledge about relative differences across countries. Second, the design is comparative because the analyses include changes *within* countries over time, providing knowledge of the degree of change. Third, the design is comparative because the authors study developments *over time* across countries, enabling us to determine whether we are witnessing the same trends in countries and, if so, whether these trends lead to convergence or to a movement in the same direction but with persistent diversity (Kautto and Kvist, 2002). In the concluding chapter we examine the major findings along these same three dimensions. We hope that these design features will help to produce an overall analysis that is informatively greater than the sum of its parts.

Nonetheless, we allow for large variations between the chapters in the methods and data employed, as the authors have chosen the ones they thought best for approaching a specific issue or factor of changing social inequality. As editors, we thought it important to have complementary disciplines and approaches represented by the authors in investigating the same two questions: how do the Nordic countries fare with regard to equality in comparison with non-Nordic countries? What changes have we seen?

Chapters

Public support for the welfare state model of the Nordic countries is, in the long run, a necessary prerequisite for its survival. The increased ethnic heterogeneity in Europe in general and possibly in the Nordic countries in particular raises

important questions and challenges for social inequalities, as well as for the support of the Nordics welfare states' attempts at reducing such inequalities. Moreover, if support for the welfare state erodes, so does the possibility of maintaining a universalistic welfare state model.

In Chapter Two, Henning Finseraas focuses on intense international discussions of the possibilities for welfare state redistribution in the context of more ethnically diverse societies. In particular, he tests two mechanisms of why and how ethnic diversity may undermine citizen support for welfare state programmes. The first mechanism, the 'anti-solidarity' hypothesis, starts from the suggestion that a major reason why the US has not developed a European-style welfare state is its greater ethnic diversity. Simply stated, this hypothesis says that voters become less supportive of the welfare state if they harbour some degree of animosity towards minorities. The second mechanism is the 'distraction' hypothesis. It starts from the assumption that while voters basically have a Left or a Right view on redistribution issues, they now – at an increasingly rate – also have a Left or a Right view on immigrants and immigration policies.

In other words, an increasing number of citizens with cross-cutting preferences might, in turn, 'distract' voters from voting according to their Left or Right redistribution preferences. Finseraas uses several waves of the European Social Surveys to empirically see to what extent we can find support for these mechanisms in Europe. Although Finseraas' analyses are done for Europe, the results are highly relevant for the future of the Nordic welfare state.

Public support for the welfare state is also the subject in Chapter Three by Mads Meier Jæger. Jæger, however, focuses on what he calls the configurational and qualitative aspects of welfare attitudes. He argues that the conventional portrait of the Nordic citizens as being passionate about both equality and their support for the welfare state is much too simplistic. To understand people's welfare state attitudes, Jæger says we must instead look at specific dimensions, especially at which type of welfare state the electorate want to support. People are not merely for or against redistribution; they may also categorise who should receive support in terms of the 'deserving' or 'undeserving'. Jæger distinguishes between three types of citizens: supporters of an unconditional welfare state, supporters of a conditional welfare state model and more general welfare sceptics. His hypothesis is that citizens of the Nordic countries tend to favour an unconditional welfare state model, whereas citizens within other welfare regime countries are more likely to favour a conditional model. He uses data from the International Social Survey Programme (ISSP) at four times, looking both at the cross-national picture and at changes over time within countries.

In Chapter Four Susan Kuivalainen and Kenneth Nelson compare trends in the means-tested minimum income arrangements in four Nordic countries (Denmark, Finland, Norway and Sweden) with those in three other European countries (Germany, the Netherlands and the UK) over two decades. The comparison enables the authors to examine whether the Nordic arrangements for means-tested support have retained their distinct character. Earlier research suggests that while

means-tested income support amounts to a small proportion of the overall income protection provided in the Nordic countries, such support is fairly generous and able to alleviate poverty for those who receive it. Arguing that several changes point towards a different role for means-tested support in the Nordic countries, the authors present findings that clarify this issue. They also ask how the institutional framework for means-tested income support has developed in the seven countries under study. Finally, they examine how the patterns of outcomes have changed, that is, whether benefits have become more or less generous and whether the protection against poverty offered by these benefits has improved. Using original data of high quality and with a long time-series, Kuivalainen and Nelson provide precise and novel knowledge about the trends in outcomes, offering a surprising picture of the role played by means-tested support in reducing or reproducing social inequality over a 20-year period.

One important mechanism in increasing social inequality could be the reduced availability of free or affordable high quality services. A distinct trait of the Nordic welfare state has been its key role as a provider of a range of services related to health, education and care, and thereby as a major employer for women in particular. The availability of affordable and publicly provided services of high quality has relieved families, especially their female members (given the traditional gendered division of labour), of unpaid work as carers for children, people with disabilities and older people. This defamilisation of care has enabled more women to take up paid work and has thus promoted greater gender equality. While families (along with not-for-profit and for-profit actors) remain important providers of care (or care services), the trend in the Nordic countries and many other countries has for a long time been towards a more prominent role for tax-funded public provision of such services. The reason for expanding tax-funded public services is both to stimulate female labour market participation and to ensure universal access to high-quality services irrespective of class, gender, age, ethnicity, faith or geographical area of living.

In Chapter Five, Gabrielle Meagher and Marta Szebehely analyse the development of childcare models in the Nordic countries in a comparative perspective. They focus on two public childcare-related measures of particular significance for determining the overall equality of outcomes: childcare services and financial benefits (especially care allowances offered in lieu of a publicly funded childcare place). The authors ask what effects different childcare models – and changes therein – have for gender and class equality and for equality between ethnic groups. They review developments in childcare policies in four Nordic countries (Denmark, Finland, Norway and Sweden) over the past three decades, and use Nordic and European quantitative data to analyse equality outcomes, drawing comparisons with seven other European countries (France, Germany, Greece, Italy, the Netherlands, Poland and the UK). Finally, they contrast the likely equality impacts of reliance on financial benefits such as childcare allowances and the marketisation of services, as opposed to the public provision of such services.

In Chapter Six M. Azhar Hussain, Olli Kangas and Jon Kvist scrutinise the relationship between the labour market, employment, unemployment protection and poverty rates in different welfare states. They analyse whether regime-based difference exists in the consequences of these interactions. The question is whether the primary characteristics of the Nordic welfare state remain distinct or whether the European nations have become more similar in terms of employment patterns, the generosity of unemployment insurance and the incidence of poverty among people in different labour market positions. Their analyses are based on the European Community Household Panel (ECHP) survey and the EU Statistics on Income and Living Conditions (EU-SILC).

Their analysis demonstrates that the findings across countries are strongly affected by the subgroups on which scholars choose to focus, and that seemingly similar subgroups, such as the long-term unemployed, are indeed different. For example, for the issue of generosity they emphasise that scholarly conclusions may depend on whether researchers focus on low-paid, average-paid or well-off employees. In terms of employment patterns and poverty, the long-term unemployed may be differently selected among welfare regimes.

Health status and health risks are key features for people's lives and welfare. Public health issues were at the forefront of many of the early social policy reforms in the Nordic countries (see Lundberg et al, 2008). Thus the importance of investigating to what extent the welfare state in general and the Nordic ones in particular can influence such conditions is clear. Health inequalities constitute a much more difficult task for the welfare state to tackle than, for example, income inequalities, as income can be redistributed from one person to another while health cannot.

In Chapter Seven Clare Bambra discusses the relation between the Nordic welfare state and health inequalities. Given that research generally has found that population health is enhanced by universal and relatively generous welfare states of the Nordic kind, she focuses on the question of whether the Nordic welfare states also appear to reduce health inequalities. Bambra conducts an overview of the comparative studies on health inequalities and then thoroughly discusses the different mechanisms between policies and health. She tackles the question of how it is possible that marked health inequalities continue to exist in the Nordic countries.

Concern about growing income inequality in the Western world is one starting point for this book. Earlier research has emphasised the Nordic success in terms of alleviating poverty and creating a relatively low degree of income inequality. This success has often been regarded as a central feature of the Nordic model. Johan Fritzell, Olof Bäckman and Veli-Matti Ritakallio scrutinise these outcomes in Chapter Eight, raising the question of whether the Nordic countries remain a family of their own in these respects. They study trends and overall cross-national differences, and make both subgroup analyses and a poverty persistence analysis using national sources, the Luxembourg Income Study (LIS) and data from the EU-SILC. They begin by studying the trends within the Nordic countries over the last two decades. They also discuss the results of recent analyses of income

inequality in Western societies. In their poverty analyses they focus on the distinction between old and new social risks. While for years the Nordic welfare states have been successful at alleviating poverty in old social risk categories such as children and older people, the question is whether they are equally successful at handling 'new' social risk categories such as young adults and immigrants. This chapter thus also concerns an issue raised in earlier chapters – that of ethnic heterogeneity.

In Chapter Nine Christer Gerdes and Eskil Wadensjö examine the relationship between immigration and the economic sustainability of the Nordic welfare model. After describing the different waves of immigration into the Nordic countries, they set out various ways in which the linkage between immigration and economic sustainability have been discussed and examined. Finally, they discuss whether economic reasons exist for government interventions and, if so, what policy responses may be appropriate.

Finally, the question of whether the Nordic countries have stemmed the international tide of inequality better, worse or merely differently from other Western countries is the question to which we turn in the concluding chapter. Applying the results of the analyses in the various chapters, we compare trends across different aspects of inequality and the Nordic welfare model. This comparison enables us to identify whether countries belong to the same groups or models and to examine whether differences, if any, have become larger or smaller over the last three decades. In particular we pay attention to whether the preconditions in forms of norms, values and economic sustainability enable the preservation or development of the Nordic welfare model's focus on changing social inequalities.

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