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# Routledge Handbook of the Welfare State

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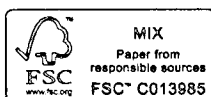
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# Nordic welfare states

*Olli Kangas and Jon Kvist*

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## Introduction: utopia or dystopia?

The Nordic countries are well known for their comprehensive welfare states and their low levels of inequality. Some people think that such a welfare state is a dystopia to be avoided at all costs. Others believe that the Nordic welfare state is a paradise on earth. Both critics and supporters agree that the Nordic countries share a number of features that in a catch term may be said to be 'the Nordic welfare model' with a distinct set of goals, policies and outcomes.

The goal of equality, most notably between rich and poor and between men and women, constitutes a light tower for egalitarian thinking in many countries. At the same time other observers see the same phenomenon, equality, as at odds with efficiency. The big trade-off is between equality and efficiency, as aptly labelled by neo-classical economist Arthur Okun (1975) more than 40 years ago. Okun's idea is that providing generous benefits to people will result in economic inefficiencies as compared to a situation without such benefits. The other perspective is that benefits nurture the economy, most notably through social investments, by mitigating the detrimental effects of economic downturns and by stimulating productive but risk-based economic behaviour (Myrdal, 1960; Kuusi, 1964).

In this chapter we focus on the principles, policies and outcomes in the Nordic welfare state. In the next section we introduce the goals of the Nordic model in terms of key principles like universality and inequality and describe how these principles were first instigated in policies and what challenges they are said to confront in the 2010s. In the following section we analyse policy outcomes in a number of central areas in a comparative perspective. In the concluding section we assess these policy developments and welfare outcomes in view of current challenges in a discussion of the future for the Nordic welfare model in the Nordic countries as well as in other countries.

## The Nordic welfare model key concepts: inequality and mobility through universal, generous and high-quality benefits

In this section, we present the goals of the Nordic welfare model and the policies used to try to achieve these goals. We focus on key concepts of inequality and social mobility on the side of

goals and outcomes, and also we focus on concepts like universalism and generosity when setting out the policy side. We briefly look into the roots and development of these concepts.

The Nordic welfare model is known under many names. The 'Social Democratic welfare regime' pertains to the alleged political forces behind the model (Esping-Andersen, 1990). The 'institutional model' pertains to the characteristics of the model seen as having institutionalised many tasks in the social sphere *vis-à-vis* the market and the family. The 'institutional model' stands in contrast to the 'residual model' where the state is the provider of welfare of the last resort (Titmuss, 1974; Alber, 1981).

If we place the Nordic countries in a wider international perspective they look very much the same: long common history, shared cultural values, blurred boundaries between the state and civil society, strong state bureaucracy capable of implementing various social policy measures and effectively collecting taxes, heavy bias on public social services and transfers with high coverage among the populace, and consequently small income differences and low poverty rates (Kangas and Palme, 2005; Kvist *et al.*, 2012).

However, if we compare the Nordic countries with each other they look rather different and the verdict of intra-Nordic comparisons is condensed in the telling adage by Christiansen *et al.* (2005): one model with five variations. Although the Nordic countries are not identical they do share a high degree of family resemblance when compared to the situation in other countries. For this reason we believe it is justified to speak of a Nordic welfare model as an adequate label for the Nordic welfare states.

Poor laws and municipal poor help were the first forms of official social policy also in Scandinavia. Municipalities became gradually responsible for expanding welfare obligations and, even now, social services are delivered by local authorities that have their own political decision-making arenas and right to collect taxes to finance services they are providing. Within certain limits the municipalities can decide on their own welfare activities and municipal tax rates to finance those activities (Kangas and Palme, 2005). This combination of centralized stateness and local democratic decision making had important ramifications for the subsequent development of the Nordic societies. The distance between the state/public sector and civil society grew close and blurred, and it is often hard too see where the civil society ends and the public sector begins. One indication of this is that in Scandinavia 'state' is often used synonymously with 'society' (Allardt, 1986; Alestalo and Kuhnle, 1987).

The Nordic countries differ in the timing of their first social policy programmes. Usually Denmark and Sweden pave the way and Norway and Finland trot along a decade or so behind. For example, Denmark was one of the first countries in the world to implement a pension law (1891) followed by Sweden (1913), whereas Norway (1936) and Finland (1937) were latecomers. In some cases (e.g. in work accident insurance) the order was reversed: Norway introduced the first scheme in 1894, followed by Finland a year later, while Denmark and Sweden implemented the law in 1916. In child and family policy and in social services it was typically Sweden that led the way, although the traditional laggard Finland was the first to introduce care allowances as an alternative to institutionalized care. However, if one inspects the development in these countries diachronically, there are many similarities. The countries follow a similar path but the chronological timing is different in their moves. Today, they are all modern comprehensive welfare states and changes in their social policies take place more or less simultaneously.

### *Goals and policies in the Nordic welfare model*

The goals of the modern Nordic welfare model reach further than the goal of alleviating poverty for the deserving needy as dominant in the Anglo-Saxon Model and the goal of securing income

maintenance for insiders on the labour market as in the Continental European model. The Nordic countries do try to tackle poverty and guarantee insurance against income loss, as well as to address a wider range of social inequalities. The goal is not only to provide people with an amount of money they can live on but also to equip people with skills and abilities that enable them to become full members in the society they are living in through their own efforts, primarily in the labour market. The vision is to help people maximize their human potential in a belief that this is good for both individuals and the society as a whole. For example, women should therefore have the same possibilities to participate in the labour market as men and children from less privileged backgrounds should be enabled to take education on par with children from privileged backgrounds. To obtain these goals, the Nordic welfare model has provided encompassing benefits in cash and kind. The income maintenance system has combined basic security with earnings-related benefits to prevent poverty and safeguard the achieved standard of living. Social, education and health services aim to offer individuals possibilities to conduct a decent life independent of their socio-economic background and capacity to pay.

The central policy features of the Nordic model usually refer to generous and universal social policy that is effective in combating poverty, reducing inequality and promoting social mobility. Universalism is about coverage of the national relevant population. Generosity deals with the adequacy of cash benefits and the quality of social, education and health services. Inequality and poverty refer to those factors in society that prevent individuals from realizing their human potential and in particular to raise the levels for less privileged groups.

One of the most important trademarks of the Nordic welfare state is its universalism. In principle, social benefits are for all, neither are they targeted after need for some specific vulnerable groups, nor are they exclusive benefits for privileged occupational groups. Thus, in the ideal Nordic model, all population categories are covered by the same programmes – seen to be a solid guarantee for high popular support for the welfare state (Korpi and Palme, 1998). Ideally, since everybody contributes and everybody benefits there is no wedge between the well-off payers and the worse-off beneficiaries; there is no room for ‘welfare backlash’ (Korpi, 1980; Svallfors, 1989). It has also been shown that good income-related benefits have guaranteed a relatively high level of basic security as in basic pensions, social assistance, etc. (Nelson, 2003).

The Scandinavian inclination towards universalism is evident in the construction of the post-Second World War welfare state (see Figure 12.1).<sup>1</sup> In the 1950s and 1960s national pension reforms guaranteed a basic pension to everyone and the coverage of other forms of social insurance expanded. The introduction of employment-related pensions and other income maintenance schemes, for their part, improved the income-loss part. The Nordic welfare states are not always the most generous, and especially in Central and Southern Europe benefits may be higher (see e.g. Ferrera, 2010). The Scandinavian model is unique in combining generosity with universality. In Central Europe benefits may be more generous but not that universal, and in the liberal or Anglo-American model they are neither universal nor generous (Kvist, 2007).

As may be seen in Figure 12.1, the Nordic model had its heyday in the late 1980s and early 1990s (the dotted lines in the separate panels pertain to the mean generosity and universalism rates in 1990). Sweden, Norway, Denmark and Finland formed a group with a high degree of universalism and generous benefits. Reforms since then mean that the Nordic countries remain the most universal but they have lost some of their distinctiveness in generosity. With the exception of Norway, benefit levels have been cut and generosity is moving towards the OECD mean; on the other hand, some countries are passing by and other countries are coming closer to the Nordic cluster.

Because of the generosity of social insurance, Nordic social assistance is expected to provide high benefits for a small group of claimants. Indeed, the level of social assistance in the North

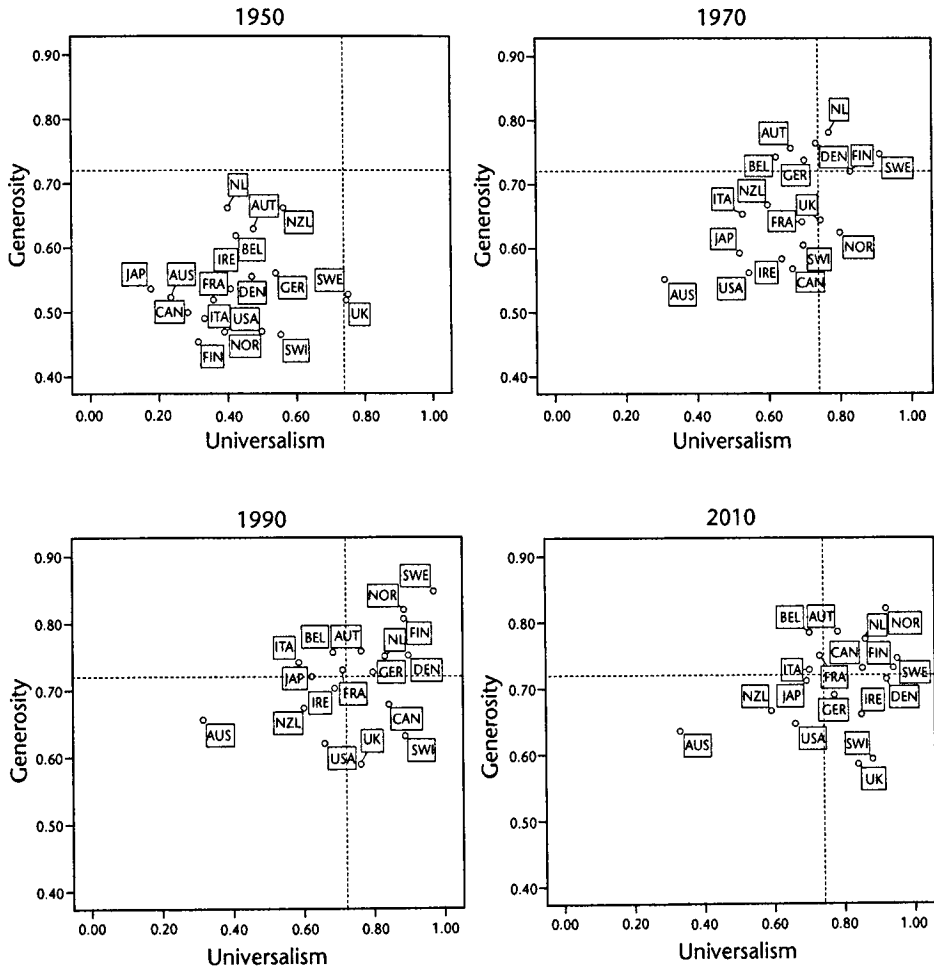


Figure 12.1 Generosity and universalism of social insurance in 18 OECD countries, 1950, 1970, 1990 and 2010.

used to be high in comparison to those in other countries. However, during past decades the replacement levels have been cut. As a result of these cuts, the level of social assistance in relation to the poverty threshold in Finland, Norway and Sweden is only about 60 per cent, which is no higher than in most of the Central European countries or in the UK (close to 70 per cent). The Danish level (99 per cent) is only second to the leading Ireland (115 per cent) (Frazer and Marlier, 2016).

The cuts are mirrored in the efficacy of social assistance, and consequently poverty rates among the social assistance recipients have increased markedly – from 30 per cent in the early 1990s to 40 per cent in the late 2000s (Kuivalainen and Nelson, 2012). The interaction of increasing unemployment and the decreasing adequacy of social assistance may result in increasing poverty rates. If this trajectory materializes, the Nordic model prized for its low poverty is history.

Increasing conditions is a new trend that has already transformed the Nordic welfare model. So far we have examined universalism and generosity. However, this is too narrow a picture. In

Scandinavia, as elsewhere, entitlements to benefits are increasingly targeted by various forms of conditions.

Among the OECD countries there is a trend of increasing conditionality. In the case of unemployment the crucial condition is the contribution period, i.e. the time the unemployed must have been employed/a member of the unemployment insurance system before getting rights to benefits. While up until early 1990s the reference period in the Nordic countries was on average 19 weeks, the number is now 30 weeks. A similar trend is visible also in Continental Europe where the reference period has been lengthened from 37 to 42 weeks (SCIP). In this process the Nordic cluster has become more similar, while there is growing diversification among the Continental cluster. Denmark and Finland have introduced harsh consequences if the unemployed do not fulfil the conditions of active job search or periodic employment. If these criteria are not met, benefits will be withdrawn for a certain period of time.

Today the Nordic welfare model may thus be characterized as less universal, less generous and more conditional than one to two decades ago.

### *Inequality, poverty and deprivation*

International comparisons (Fritzell *et al.*, 2012) show that there are no major differences in factor income inequalities between developed countries, whereas there are substantial differences in inequalities of disposable income. The Gini index for factor income in the Nordic countries is about the same as in the USA (Wang and Caminada, 2011: 13). However, due to the equalizing effects of taxes and income transfers the countries are placed at the opposite ends of the continuum of disposable income inequalities.

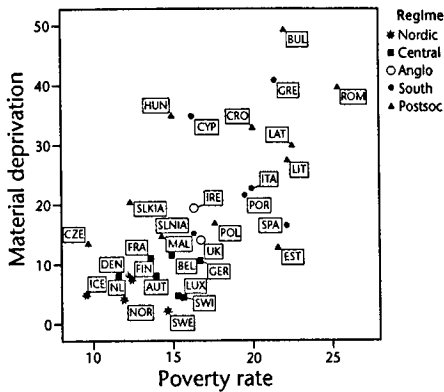
The same pattern is visible in poverty levels. The poverty alleviation effect in the Nordic countries is 52 per cent, i.e. social transfers lift 52 per cent of the pre-transfer poor out of poverty. The numbers for the Central European states are 42 per cent; for the UK and Ireland 48 per cent; for the Southern European cluster 26 per cent, and for the post-socialist countries 29 per cent (Eurostat, 2017). The story is much the same when it comes to child poverty (see Gornick and Jäntti, 2009).

Social policy models thus differ in their capacity to decrease income inequalities and alleviate poverty. However, when it comes to the poverty gap (i.e. the distance from average income of the poor to the national mean), there are no major differences between the Nordic, Central European and the British/Irish clusters. The gap is the widest in the Southern European and post-socialist countries (see Figure 12.2; OECD, 2011b).

Monetary poverty is one measure to evaluate if people have insufficient means to participate in society. The measure is linked to income distribution: those countries with low income disparities display low poverty figures. For example, Hungary has about the same low relative poverty levels as the Nordic countries but the poverty threshold in Scandinavia is twice that in Hungary. This means that the standard of living of the poor in Scandinavia is more than twice higher than in Hungary, or the other post-socialist countries showing low relative poverty levels.

To overcome this problem included in relative income-based poverty measures, more absolute-kind deprivation indicators have been called into use, of which material deprivation is one. This measure expresses individuals' inability to afford the basic necessities for an adequate life. The picture given by the deprivation index<sup>2</sup> is somewhat different from the income poverty picture. The relationship (correlation coefficient  $r = .67^{**}$ ) between the two poverty measures is given in Figure 12.2 (data from Eurostat, 2017).

Poverty rate (%) and material deprivation (%)



Poverty rate (%) and poverty gap (%)

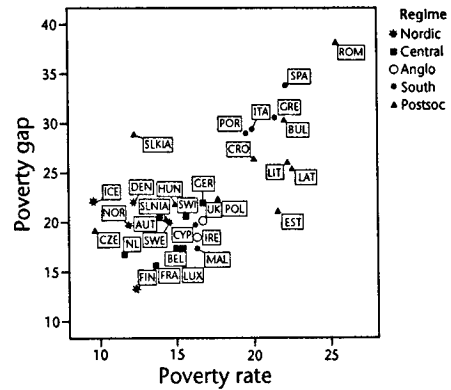


Figure 12.2 Poverty rate, material deprivation and poverty gap in Europe, 2015.

The two-way scatter-plot shows how some of the post-socialist countries have low-income poverty (notably so in Hungary) but high levels of material deprivation. The Nordic countries, together with the Netherlands and Austria, form a group with low levels of both monetary and deprivation poverty.

In the Anglo-American political discourse the working-poor phenomenon has been brought to the fore. Due to holes in the safety network, many people do not have adequate social security. Even worse, in some cases finding employment does not help individuals escape poverty. European-level comparisons show that whereas in-work poverty is low in the Nordic countries (less than 5 per cent in Norway, Finland and Denmark, and about 8 per cent in Sweden), it is more than 10 per cent in the Southern European and some post-socialist countries (Eurostat, 2016; see also Hussain *et al.*, 2012: 130).

The Nordic countries – Denmark and Sweden in particular – are renowned for their investment in activation and active labour market policies. On average, the Nordic cluster is investing more than the other welfare models in active labour market measures and consequently, long-term unemployment rates tend to be lower in Scandinavia than elsewhere but there are no substantial differences in the overall unemployment rate in comparison to the other regimes. While Iceland (2.6 per cent) and Norway (4.5 per cent) display low unemployment rates, unemployment rates for Denmark (6.3 per cent), Sweden (6.9 per cent) and Finland (8.7 per cent) are more mediocre (OECD, 2017a).

To conclude the inequality discussion, we may say that despite a growing tendency of inequality, the Nordic countries are still equal societies but less so than two decades ago.

### *Income mobility*

In addition to the incidence of poverty it is important also to consider the persistence of poverty, or more broadly, income mobility. According to John Rawls' (1971, 1996) influential concept of justice, even a high level of inequality is acceptable if it is based on openness of society. Thus a high degree of cross-sectional inequality and poverty could be forgiven if there is a high degree of income mobility and high exit rates out of poverty. Thus, poverty dynamics is important.

Long-term poverty is a derivate of income mobility and poverty exit rates. The longitudinal EU-SILC data (Vaalavuo, 2015) prove that the incidence of long-term poverty is the lowest in

the five Northern countries (less than 10 per cent), whereas it is close to 30 per cent in Greece and Spain. With the exception of Norway the Nordic countries do not perform any better in exit rates from poverty than the other European countries. The other side of the coin is that the entry into poverty in the Nordic countries is only half of the European average. Falling into poverty is a small risk in the Northern hemisphere but exit from poverty is as difficult as it is in other parts of Europe. Countries with low cross-sectional poverty also display low levels of long-term poverty.

One important indicator of Rawlsian openness is the correlation of incomes between children and their parents. The lower the association, the more open the society. The Nordic countries are not as open societies as they perhaps would like to be, but they may be less closed than some other countries. The intergenerational income correlation is highest in the UK (.50) and in the USA (.47), while it is lowest in Denmark (.15), Norway (.17), Finland (.18) and Canada (.19). Sweden is somewhat lagging behind her Nordic neighbours ( $r = .27$ ) but displaying clearly lower coefficients than continental France (.41) and Germany (.32) (Jäntti *et al.*, 2006; Corak, 2006; Jäntti and Jenkins, 2015).

The educational system is crucial when explaining the importance of family background (Esping-Andersen, 2009). According to the educational achievements results from PISA, family background explains 11 per cent of pupils' achievements in the Nordic countries, 16 per cent in Central Europe, 14 per cent in the Liberal cluster, and 14 per cent in the Southern and post-socialist countries, but the means conceal a substantial intra-regime variation; for example, the numbers are low for Finland and Norway (7 to 8 per cent) but comparatively speaking high for Denmark and Sweden (13 to 14 per cent). Maintaining educational equality is a challenging task given the important role of private schools in Denmark and the expansion of private elite education in Sweden. The private school system plays a minor role in Finland and Norway. In all countries, we can detach effects of intra-generational transmission of educational attainment and in that sense no country fulfils the Rawlsian principle but some countries are more open than others ([www.oecd.org/pages/0,3417,en\\_32252351\\_46584327\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/pages/0,3417,en_32252351_46584327_1_1_1_1,00.html)).

To combat the detrimental effects of poor childhood conditions, it is important to invest in children early on (Esping-Andersen, 2009; OECD, 2001b, 2006). Kindergardens, pre-schools and primary education are investments in the future. The idea is not new. Already in the 1930s a Swedish social democratic politician Alva Myrdal demanded that childcare be arranged collectively (Hirdman, 1989). Collective, public daycare was seen to fulfil objectives of equality: children from different backgrounds were given equal chances. Childcare provision which is accessible to everyone should provide a means of compensation for children with scarce resources at home. On the UNICEF child welfare index Norway, Iceland, Finland and Sweden are following the leading Netherlands as the best performers. Denmark occupies the eleventh place in UNICEF's (2013) league of child well-being.

The inspection of poverty and income mobility – be they short or long term – gives a – relatively speaking – good testimony of the Nordic countries. In fact, the Nordic welfare state has been well suited to meet the 'old social risks' but it is perhaps not that distinctively good at combating 'new risks' of single parenthood, one-person households, youth poverty, etc. (Fritzell *et al.*, 2012). There are also problems with integrating immigrants into the labour markets, and in that respect the Liberal countries and some Central European countries are doing better (OECD, 2017b; Esping-Andersen, 2009: 129). There are also signs that educational attainments and educational skills among immigrant children are substantially lagging behind those of native children. Thus, in years to come, the Nordic countries may need to invest more into the integration of immigrant children in kindergardens, pre-schools and schools if emerging inequalities are not to escalate.

In addition, the Make Work Pay strategy that has resulted in numerous benefit cuts, not least of minimum income benefits, may need to be supplemented even more with education, health and active labour market policies, especially for those persons who are not responding to increased economic incentives following benefit cuts. If not, then increased income polarization may be the main result of benefit cuts.

### *Social services and employment*

Universal, tax-financed social services are from many points of view a cornerstone in the Nordic model. First, high-quality childcare and school services provide equal opportunities for all children. Second, universal access to healthcare is essential for the health and well-being of a population. Third, home service helps the elderly live longer in their own homes and, if needed, institutional care is given in service homes. Fourth, public services are important from the employment and gender equality perspectives. Childcare offers possibilities for both genders to participate equally in paid labour and parenthood. In the Nordic countries universal childcare is the most important facilitator for this goal (Datta Gupta *et al.*, 2006).

However, when it comes to the utilization of public daycare, the Nordic countries display different trajectories (Meager and Szebehely, 2012). Whereas childcare take-up rate among small children is about 90 per cent in Denmark, Norway and Sweden, it is 45 per cent in Finland. The explanation is the home care allowance paid to those parents who either themselves care for their children or use private providers (Hiilamo and Kangas, 2009). Most families choose the home care option and, consequently, labour force participation of Finnish mothers with small children is as low as the Southern European levels at around 50 per cent. In the other Nordic countries the maternal labour force participation rates are close to those of fathers. The Nordic picture becomes more homogeneous if we look at mothers who have school-aged or older children. Currently, Finnish female labour force participation rates are the highest in the OECD hemisphere (81 per cent). Thus, overall employment activity is high in all Nordic countries (Hussain *et al.*, 2012: 125).

All in all, gender equality in employment rates is a smaller problem in the Nordic countries than elsewhere (OECD, 2011a) but nevertheless the 'revolution' is still incomplete (cf. Esping-Andersen, 2009), and the welfare state plays a central role in contributing to and inhibiting gender equality. The example of home care allowance indicates that policies can make a huge behavioural difference: home care allowance may be good from some points of view but there are clear class- and culture-related patterns in the utilization of care allowance. Working-class and immigrant mothers are more prone to use the facility, which in turn may jeopardize the equalizing efforts the educational system has as its overarching goal. There are also numerous problems related to the 'glass ceiling' that prevents women from gaining the highest position in society, and in that respect the Nordic countries are not always doing any better than some other countries (Datta Gupta *et al.*, 2006).

In all of the Nordic countries there is a trend towards the marketization and privatization of public services. With the motivation of choice, quality and efficiency private kindergardens and schools, private hospitals and elderly care institutions are gaining ground (Kautto, 2010; Kvist and Greve, 2011). The development may nullify the Nordic ethos of equal treatment regardless of the thickness of the wallet. For-profit providers may offer good 'products' for the 'good' customers who can pay. The question is the delicate balance between economic profit and good care. There are some warning examples of how firms maximizing profits to their investment capital owners on the Cayman Islands may neglect the principle of good care in Stockholm. This kind of marketization and the growth of the for-profit sector in eldercare and in other

forms of social service are more prominent in Finland and Sweden than in Denmark and Norway (Szebehely and Meagher, 2013).

### *Trust and subjective welfare*

Fukuyama (1995: 7) argues that “a nation’s well-being, as well as its ability to compete, is conditioned by a single, pervasive cultural characteristic: the level of trust inherent in society.” Fukuyama indicates that social trust may have important ramifications for economic performance as well as for individual well-being (see also Chapter 10). The Nordic countries are high-trust societies and, despite their strong welfare states and heavy tax burdens – often said to be poison to competitiveness – are doing well in economic terms: they are prosperous, have high working populations and low public debts. According to the global competitiveness ranking system, they are well placed in the list of competitive countries: in 2016 Sweden occupied the sixth position, Finland number 10, Norway 11 and Denmark 12 (World Economic Forum, 2016: 44).

In the international debate on welfare there is a shift from money-based measures towards more subjective indicators of well-being; for example, the EU-SILC and European Social Survey offer lots of material on subjective well-being. For space considerations we discuss only one dimension here: general life satisfaction, which is often regarded as the most important welfare indicator. According to the European Social Survey, the mean for the Nordic cluster is 8.0 which the highest regime mean (the scale goes from 0 = extremely dissatisfied to 10 = extremely satisfied). Furthermore, the within-regime variation is the smallest one ( $\delta = 1.6$ ). The corresponding life-satisfaction scores for the other welfare clusters are 7.1 ( $\delta = 2.1$ ) for the Liberal, 7.2 for the Continental European ( $\delta = 2.1$ ), 6.9 ( $\delta = 2.2$ ) for the Southern European, and as low as 5.8 ( $\delta = 2.5$ ) for the East European cluster (Fridberg and Kangas, 2008). See more on other welfare regimes in Chapters 13 to 16.

Not only is general life satisfaction high among people from the Nordic countries, but also when it comes to the various aspects of trust the story is very much the same. The Nordic countries display high degrees of trust in all dimensions (trust in their national institutions and in their country wo/men). There seems to be a ‘good circle’ between the Nordic welfare model, social trust and various subjective measures of welfare.<sup>3</sup>

### **Concluding remarks**

By way of conclusion we discuss whether challenges make the Nordic welfare model unsustainable or obsolete. The premise is that if the Nordic countries cannot maintain a Nordic style welfare model it seems unlikely that the model is sustainable elsewhere. Indeed, the days of the Nordic welfare model have been numbered ever since it was first discussed. However, the diagnosis of the malaise has changed (Jæger and Kvist, 2003). For the 2010s the list of challenges includes not least demographic change and its spill-over effects on economic sustainability and political dynamics.

Demographic changes are perhaps the biggest challenge to the Nordic welfare model. Because the Nordic welfare model is heavy on services and has a wide range of universal cash benefits the need for everyone to be in work is pertinent. With ageing populations the need increases for more social and health services at the same time as there are fewer persons of active working age who can staff and finance those services. Already, municipalities which are largely responsible for social services witness their elderly care workers retire and their tax base diminish due to not only economic crisis but also relative fewer people of working age.

Ethnicity issues make up another set of demographic challenges, i.e. integration of persons from other countries, migration flows and levels of solidarity in national populations. Because of generally lower labour market participation rates among persons from third countries, especially women, many of the active labour market policies in recent years have been on integrating these groups into the labour market. There have also been national debates in the Nordic countries of whether the universal, generous benefits would attract people from other countries interested in such benefits at the same time as making insiders in the Nordic labour market move abroad. If so, social expenditure would go up and tax revenue go down. Denmark has primarily led such fears, resulting in lower minimum income benefits. This indicates that politics still matters and it remains to be seen what kind of impact the diminishing support for social democratic parties in the Nordic countries has on the welfare state model. At least it will be less 'social democratic'.

Is the support for universal welfare only possible in small and homogeneous populations where benefits are for 'us'? Does cultural and ethnic heterogeneity hollow out universalism? While empirical results show that Americans in particular are sensitive to in-group 'us' and out-group 'them' distinction, Nordic attitudes are not greatly affected by the dyadic division; therefore, the increasing ethnic diversity does not directly constitute a threat to the Nordic welfare state (Finseraas, 2012: 39). However, the impact may be indirect. Given the high level of unemployment among immigrants the in-group and out-group distinction may begin to fulfil its role (Albrekt Larsen, 2012). In fact, populist parties using anti-immigration banderols are taking a substantial share of votes in the Nordic countries in the same way as in many other European countries.

Is the special Nordic passion for equality (Graubard, 1987) on the wane? There is evidence (e.g. Jæger, 2012) indicating that the love of the Nordic people for their welfare state is as passionate or as lukewarm as elsewhere. General support for social policy in Scandinavia is high but not necessarily stronger than in Continental European countries but stronger than in the Liberal countries.

Our results indicate that it is still possible to talk about a welfare model consisting of the Nordic countries. The Nordic welfare model today is less universal, less generous and more conditional than it was 20 years ago. Furthermore, many countries have caught up with the Nordic countries and consequently, differences between welfare regimes are melting. However, the Nordic welfare model is still in many respects distinct and fares well in comparison with other welfare state models on most dimensions of welfare. Poverty and inequality rates are low, gender equality is relatively high, income mobility – be it short term or intergenerational – is high, all this combined with high levels of subjective welfare. This is very much in line with the basic Nordic ideas of how the state should work: it should provide individuals with resources to take control of their own lives. Whether the Nordic welfare model can continue to do so seems to be as much a question of political decisions as of harsh economic or social realities.

## Notes

- 1 Indicators used in Figure 12.1 pertain to mean values of old age pensions, sickness, work accidents and unemployment insurance programmes. Universality is a mean for coverage of those schemes (insured/total population in pensions (per cent), and insurance/total labour force for other insurance programmes (per cent)). Pensions weight 2, work accident 0.5 and sickness and unemployment insurance 1 each. Generosity is mean replacement level for the four schemes expressed as a ratio between net benefit and net wage at the average income level. These numbers are weighted as explained above. The interpretation of the indices is straightforward: in universality (0 per cent indicates that no one is insured under any programme and 100 per cent tells us that the total population in risk is covered).

Consequently, 0 per cent in generosity refers to a situation where there are no benefits at all available in any of the four schemes, while the maximum value of 100 per cent pertains to full compensation in all the schemes (net benefit = net income). Data for the indicators are derived from the SCIP database housed at the Swedish Institute for Social Research, University of Stockholm (see e.g. Korpi and Palme, 1998). Data for 2010 is provisional.

- 2 Deprivation measure consists of indicators of economic strain (e.g. cannot afford to face unexpected expenses, a one-week annual holiday away from home, to pay for arrears, a meal with meat, chicken or fish every second day, to keep the home adequately warm), involuntary lack of durables (e.g. a washing machine, a colour TV, a telephone, a personal car) and problems with housing (e.g. leaking roof/damp walls/floors/foundations or rot in the window frames, accommodation that is too dark, no bath or shower, no indoor flushing toilet, lack of space and spending more than 40 per cent of income on housing). The material deprivation index pertains to those who are lacking three or more items in the lists given above.
- 3 Health is one welfare component where the Nordic model is not doing that well. See Clare Bambra (Chapter 23, this volume).

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# Central European welfare states

Daniel Clegg

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## Introduction

The social protection systems of West Central European countries have their origins in the social reforms of Otto von Bismarck in Imperial Germany in the 1880s. For that reason this distinctive model of social provision is sometimes dubbed the *Bismarckian* model (Palier, 2010a) as well as, for reasons discussed below, the *conservative-corporatist* (Esping-Andersen, 1990), *Christian Democratic* (van Kersbergen, 1992) or *industrial achievement performance* model (Titmuss, 1974). Nations whose welfare systems are of this characteristic variety include France, Germany and the Benelux countries, as well as Austria and, following a period of comparatively late welfare expansion in the 1970s and 1980s, Switzerland. Due to certain shared institutional characteristics, Eastern and especially Southern European countries are sometimes also considered to have Bismarckian systems of social protection, though specific features justify seeing the welfare models of these regions as distinctive (see Chapters 14 and 15, this volume).

As shown in Figure 13.1, in 2014 average social protection expenditure across West Central European countries was higher than in other European regions, and, in a number of these countries, was close to or above 30 per cent of GDP. Bismarckian social protection systems today command a greater share of national wealth than even their Nordic equivalents, long considered the 'gold standard' for welfare state expansiveness (see Chapter 12). While before the onset of the Great Recession levels of social expenditure had fallen back considerably from their highs of the mid-1990s in a number of Nordic countries, they had remained much more stable across West Central Europe in the early years of the twenty-first century, and thus grew from a higher starting point from 2008.

High expenditure reflects the solidly institutionalised commitment in the countries of West Central Europe to using collective mechanisms to protect citizens against social risks. The Bismarckian model of social protection is not without critics, however. Despite the now larger sums generally devoted to social policy than elsewhere, at-risk-of-poverty rates remain markedly higher in many of these countries than in Nordic Europe. And while their employment performance has improved since the mid-1990s, some West Central European countries – notably Belgium and France – still have employment rates more than ten percentage points below the best-performing European states. It may be said that high levels of social protection