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The Nordic Welfare State at crossroads

Joakim Palme

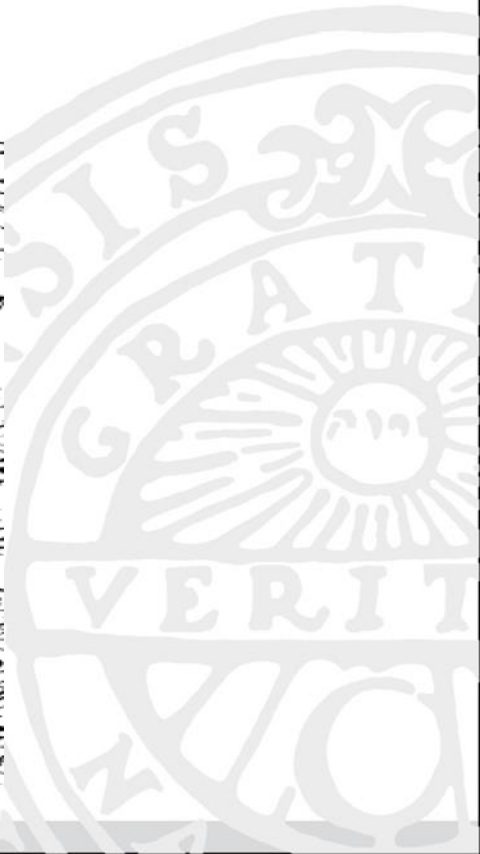
Department of Government
Uppsala University





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The Cheshire cat





The Nordic Model

History of exceptionalism:

Interchangeably defined in terms of:

- the design of social policy institutions: **big welfare state**

- how people's living conditions appear: **equality**

- the decision making process: rational and research based leading to **modernization**

Achievements of the Nordic model

Low life-cycle poverty

High employment

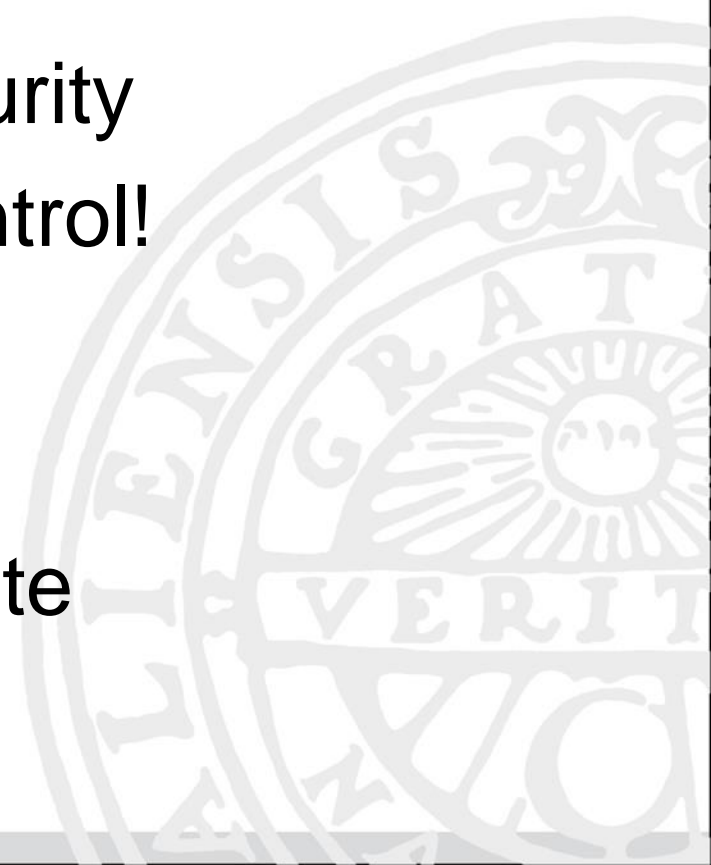
Strong support for social security

Good incentives and cost control!

High social trust

Economic growth

Competitive investment climate





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No miracles

Straightforward policy design

Remaining pockets of poverty, ill-health etc





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Universalism and employment

Lundberg et al. 2008. 'The role of welfare state principles and generosity in social policy programmes for public health: an international comparative study.'

The Lancet 372:1633-40.



Universalism

- Inclusion
- Financing
- Provision
- Benefits
- Open to all or for some groups only?
- Public or private?
- By state, corporatist (or non-profit) organizations or markets? Existence of complementary markets?
- Adequacy, equal quality?

End of universalism?

Policies for employment

- Education of children and youth
- Active Labour Market Policy
- Adult education, life long learning
- Labour market regulation
- Macroeconomic policy





Functions of social policy

- Redistribution
- Insurance
- Reproduction (care services)
- Investment
- Savings





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The permanent stress test

What makes policies sustainable?



The Challenge of Great Transformations

A Schumpeterian perspective:

- Always winners and losers in great transformations
- In order to promote political and social sustainability, the ‘destructive’ forces of market competition have to be met by ‘constructive’ policies

Challenges and responses for European countries

- Globalization, work
- EU integration cost
- Ageing societies
- Great Recession
- Divergence
- Migration
- Automation
- Climate
- Democracy
- Lisbon Agenda
- Social Europe
- EU2020
- Social Investment Package
- Social Pillar
- Social Investment 2.0
- Social Investment 3.0
- Social investment 4.0
- Participation

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ÓLAFSSON,
DALY, KANGAS,
AND PALME

WELFARE AND THE GREAT RECESSION

A COMPARATIVE STUDY

edited by I STEFÁN ÓLAFSSON, MARY DALY,
OLLI KANGAS, AND JOAKIM PALME

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WELFARE AND THE GREAT RECESSION

Stefán Ólafsson, Professor of Sociology,
University of Iceland

Mary Daly, Professor of Sociology and
Social Policy, University of Oxford, UK

Olli Kangas, Professor of Practice,
University of Turku, Finland

Joakim Palme, Professor of Political Science,
University of Uppsala, Sweden

Lessons from the 'Great Recession'

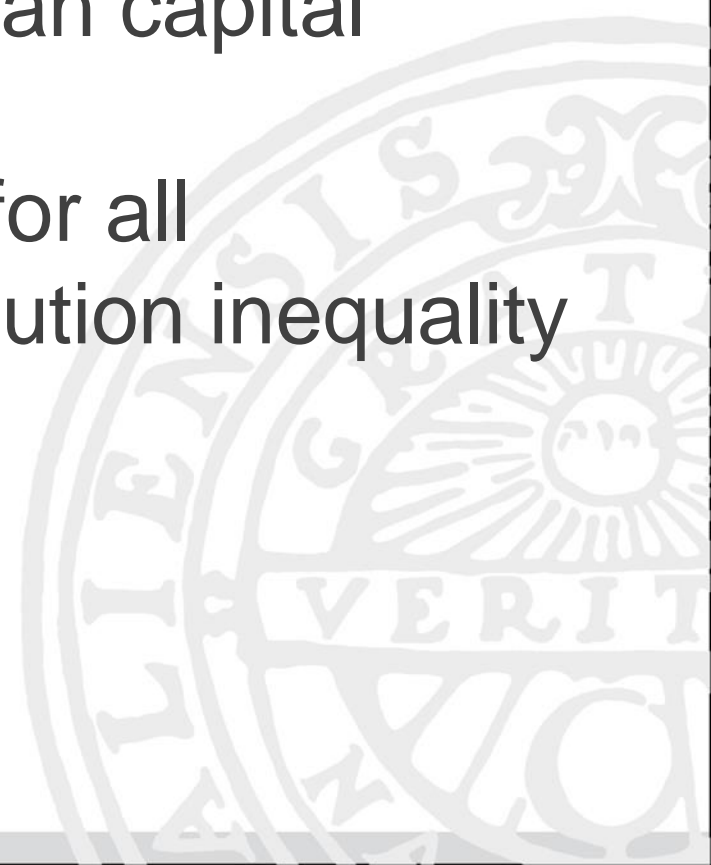
- Varieties of crisis experience: European divergence
- How burdens were shared and welfare states mattered
- The Nordic countries weathered the storm with low social costs compared to other European countries – but room for improvement
- How politics mattered: Public finances in good shape created room for action - countercyclical macro-economic policy making critical (Keynesianism)
- Future: Combine paradigms to “include policy instruments aimed at supply *and* demand at the same time, as well as egalitarian human capital investment”



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Social investments

Are about investing in
an equal distribution of human capital
in order to promote
a good economic life-cycle for all
and reduce the pre-redistribution inequality



Capability formation: A life course perspective

Publicly funded child-care invests in cognitive skills essential for life chances of children

Quality of compulsory education – PISA studies of *core competencies*: reading, mathematics, science

Skill needs in advanced industrial societies have changed –polarization among youth is a reality and a threat

The "learning economy" requires a constant renewing of capabilities in firms and competences of workers

The enemies of the Nordic Model are those who do not take serious:

- The shared norms about equality and freedom
- The necessity to modernize policies to respond to the real challenges of today and tomorrow
- The requirement to raise enough taxes for massive social investment and for universal social protection

Nordic policy regimes

- Welfare regime: **encompassing**
- Family policy regime: **dual-earner**
- Production regime: **collective bargaining**
- Education regime: **universal, life-long**
- Migration regime: **open**
- Climate regime: **established**
- Regional policy regime: **participatory**



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*Coalition-buidling across
generations*

'The Generational Welfare Contract is arguably the single most important welfare state study in our times. And it is one of those rare groundbreaking contributions that is destined to (re-) define social policy research for many years to come.'

Gøsta Esping-Andersen, Universitat Pompeu Fabra, Spain

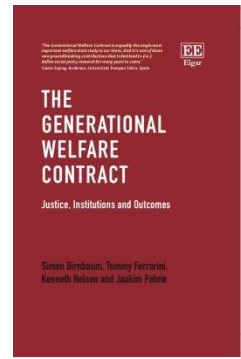
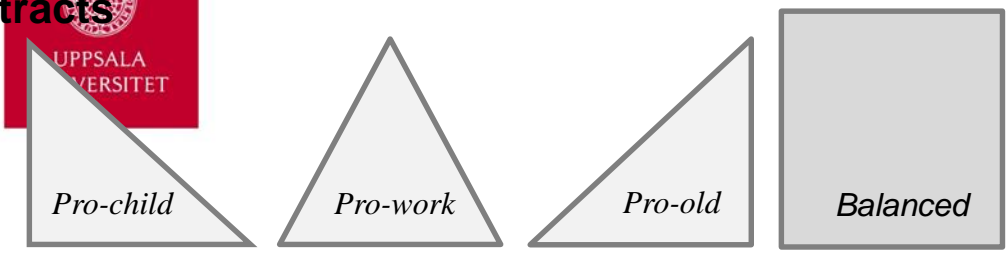


THE GENERATIONAL WELFARE CONTRACT

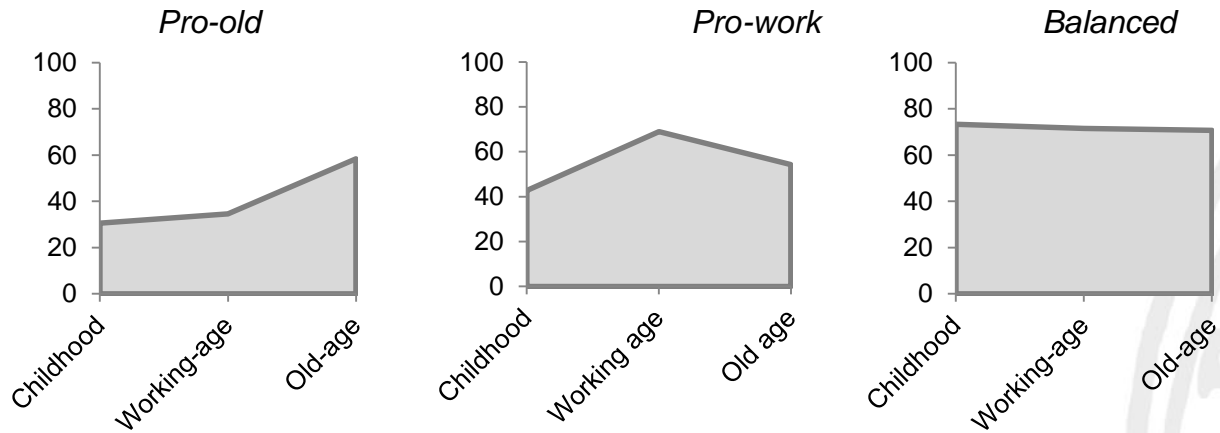
Justice, Institutions and Outcomes

Simon Birnbaum, Tommy Ferrarini,
Kenneth Nelson and Joakim Palme

Ideal-typical configurations of four unbalanced generational welfare contracts



The generational welfare contract(s): income replacement in social insurance for three age-related social risks (averages for 18 OECD countries, 1980–2010)



The *balanced* contract includes Austria, Belgium, Denmark, Finland, France, Sweden and Norway.
 The *pro-work* contract includes Germany, Japan, the Netherlands and Switzerland.
 The *pro-old* contract includes Australia, Canada, Ireland, Italy, New Zealand, the United Kingdom and the United States.

Source: The Social Policy Indicators Database (SPIN), own calculations.