

# Social-Democratic (Scandinavian) Welfare State

Puzyreva Ksenia,  
MASES 2<sup>nd</sup> year,  
F-ty of Sociology, St.Petersburg State  
University

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# Research Question

- How Scandinavian welfare state is capable to response and adjust to the global economic restructuration?

# The Origins of the Scandinavian welfare state

- The very beginning - Great depression 1930s – social policy hindered ; low social expenditures
- The rise - Post-War period – security expenditures and level of consumption constituted the highest in the West
- The fall – recession of 1980s, crisis of 1990s and internationalization of the markets

# The Origins of the Scandinavian Welfare State

- Basis of Scandinavian model:

Pragmatic and Ideological purposes: equalized distribution of social resources and broadened social solidarity + social protection and full employment = cornerstone for productivity

# The 'Golden Age'

- Time: Post-war period (until the mid 1970s)
- Conditions: favorable environment for the welfare to develop – WHY? – because, the government had the absolute power to control its economic boundaries and choose policies (employment, taxes, welfare provision etc.), because of the limited potential of international actors to control national government

# The 'Golden Age'

- Flourishing welfare state:
  - Reform of social policy and extension of social insurance (health system and pension system: universal coverage + income-related benefits; parental insurance system)
  - Expansion of public sector social services (medicine and education in particular)
  - Development of employment policy (active labor market policies – job creation, professional training etc., not only unemployment subsidies)

# Economic restructuring

- Time: 1980s-1990s
- Conditions: comfortable environment for the welfare state disturbed – WHY? – because of economic internationalization and World recession of 1990s
- The ability of Scandinavian welfare state model to maintain its comprehensiveness and efficiency becomes questioned



# Arguments

- Reasons for Crisis of Scandinavian countries
  - Too generous social entitlements -> system failed
  - Structural changes in the advanced industrial economies -> system succeeded to adjust

# Structural changes and internationalization

- Economic restructuring: Maastricht Treaty and foundation of the EU, the update of General Agreement on Tariffs and Trade and emergence of the WTO etc.
- Result: restricted capacity for the government to regulate financial market
- Restrictions imposed on finance, products and employment systems of the Scandinavian welfare state
- Change in labor-capital relations -> investment of profits abroad instead of home -> low levels of productivity in the state

# Result

- Scandinavian welfare state policies has changed and has been reduced
- But: quantitative instead of qualitative changes: institutional characteristics of the system, such as high income replacement rates, citizenship benefits, high provision of services and goods and the goals – social security, decommodification, income redistribution and labor mobilization remained stable.

# Prerequisites for Scandinavian model to adjust

- economic perspective: no need for drastic change in a Scandinavian economic system (Scandinavian welfare state was organized around growth models in which the idea of export sector competitiveness was already a central one)
- Political: support by political coalitions and institutionalization of the entitlements

# Further discussion

- No place for the Welfare State in structural changes ?

Thank you for your attention!