

CHALLENGES TO THE WELFARE STATE: NORWAY IN INTERNATIONAL PERSPECTIVE

PLAN OF THE PRESENTATION

International/comparative perspective

1. Why do we have a welfare state in the first place?
2. Different types of welfare states and outcomes
 - Poverty
 - Inequality
 - Redistribution
3. Norway teaches newcomers about the welfare state
4. Challenges and lucky Norway

THE WELL-KNOWN MESSAGE



“If you had to be reborn anywhere in the world as a person with average talents and income, you would want to be a Viking. The Nordics cluster at the top of league tables of everything from economic competitiveness to social health to happiness”

2/2/2013 *The Economist*

SELF IMAGE: NORDIC COUNCIL OF MINISTERS

Combination of

- high average living standards
- low income disparities
- low levels of poverty

Achieved by

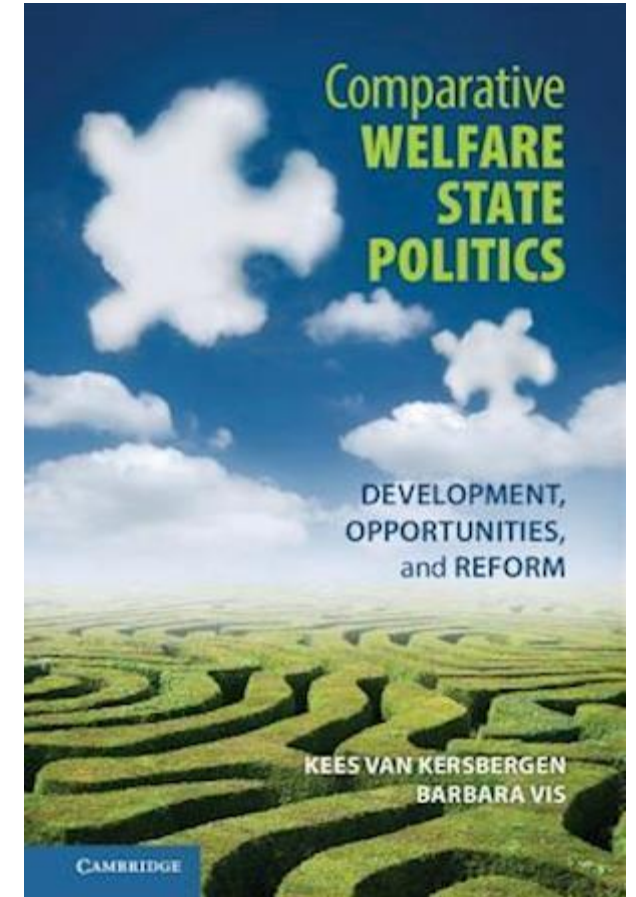
- flexible labor markets
- large investments in human capital
- extensive work-oriented public safety nets financed by high taxes
- efficient public sectors
- acceptance of structural change supported by a high degree of trust in society



PART I: WHY DO WE HAVE A WELFARE STATE IN THE FIRST PLACE?

FOUR LOGICS OR RATIONALES OF THE WELFARE STATE

- a) Socio-economic development and modernization
- b) Political integration and (elite) state-building
- c) Need satisfaction and risk reapportioning
- d) Class compromises and redistribution



A) SOCIO-ECONOMIC DEVELOPMENT AND MODERNIZATION

Curb capitalism;
moderate
exploitative relation
between workers and
capital owners



B) POLITICAL INTEGRATION AND STATE-BUILDING

Who said this?

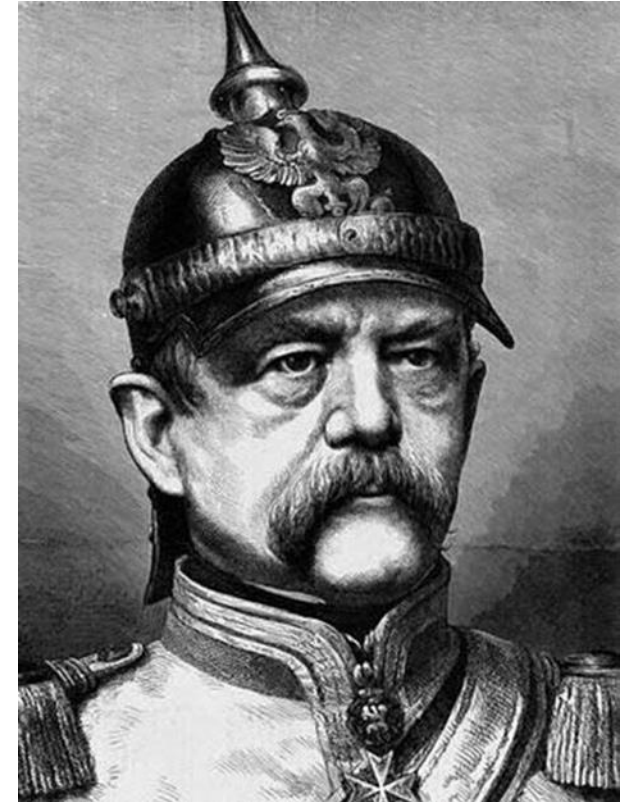
“My colleagues and I warmly support (1) compulsory insurance for (2) all social classes and (3) for all purposes, from the cradle to grave”



Churchill

B) POLITICAL INTEGRATION AND STATE-BUILDING

“I will consider it a great advantage when we have 700,000 small pensioners drawing their annuities from the state, especially if they belong to those classes who otherwise do not have much to lose by an upheaval and erroneously believe they can actually gain much by it”

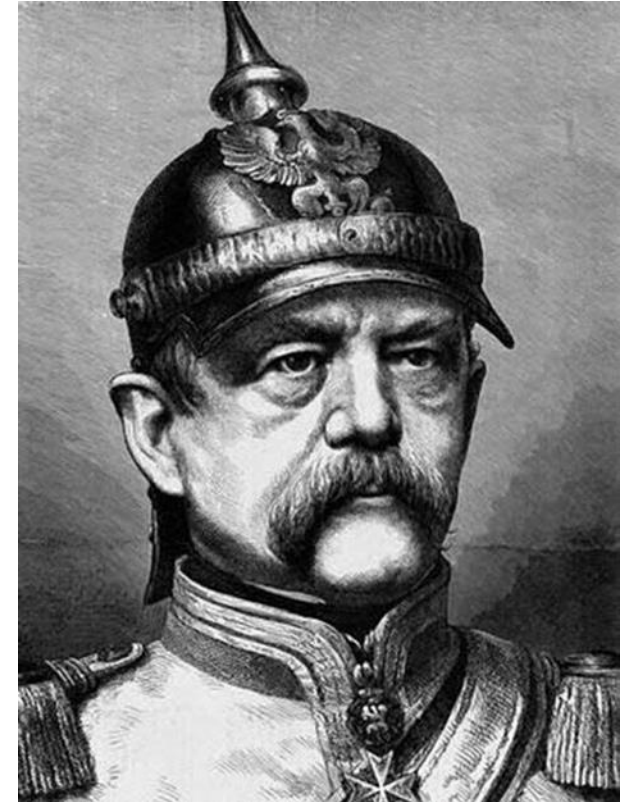


Bismarck

B) POLITICAL INTEGRATION AND STATE-BUILDING

STATE BUILDING ELITES REALIZED

- Welfare state: stabilizer of internal order
- Social policy as statecraft: fosters loyalty to state
- Welfare state creates legitimacy
- Welfare state bulwark of political stability and a cushion of change



Bismarck

C) NEED SATISFACTION AND RISK REAPPORTIONING

—
In a world of **certainty**, **perfect markets**
and **perfect families**, there would be no welfare state

- Insurance unnecessary; there are no risks
- Families save to provide for education and care for the sick and the old
- Temporary poverty is dealt with by borrowing or saving



(see Barr, Nicholas. *Economics of the welfare state*. Oxford University Press, 2012)

C) NEED SATISFACTION AND RISK REAPPORTIONING



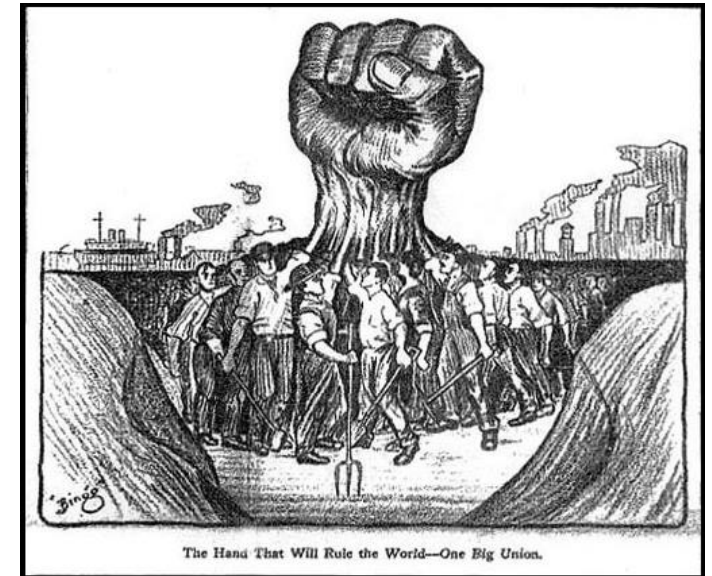
Markets fail



Families fail

D) CLASS COMPROMISES AND REDISTRIBUTION

- Social risks are unequally distributed according to class position
- Lower class lacks resources to deal with risks
- Class differences in risks and power are major source of distributional struggles
- The more powerful the labor movement, the more extensive and redistributive the welfare state



WRAPPING UP PART I: THOUGHT EXPERIMENT

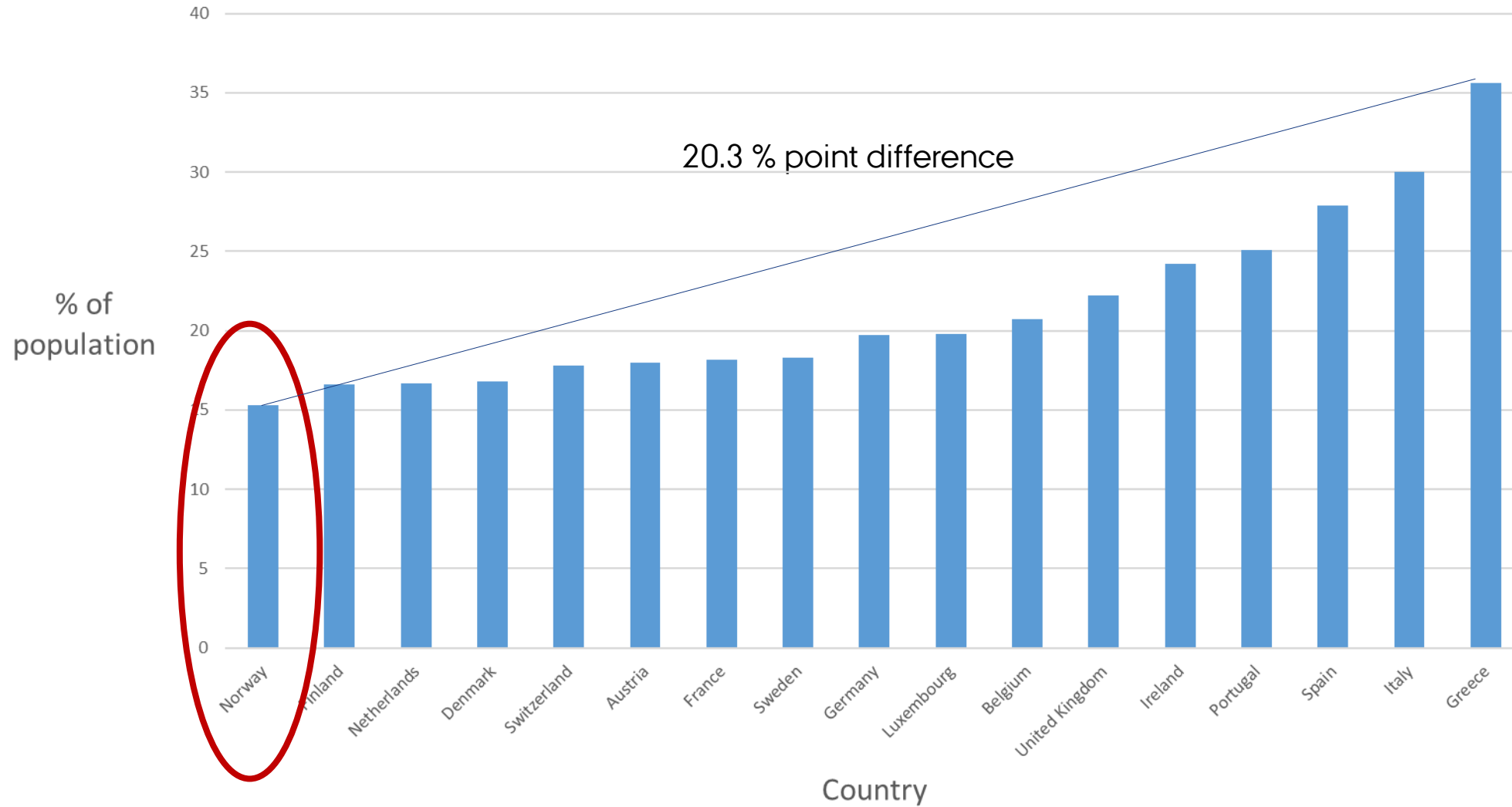
WHAT IF THERE WAS NO WELFARE STATE?

-
- a) Socio-economic development and modernization: welfare state protects against exploitation
 - b) Political integration and state-building: social policy increases social and national integration
 - c) Need satisfaction and risk reappropriation: welfare state solves family and market failure
 - d) Compromises and redistribution: welfare state solves social conflict by offering social protection and redistribution

PART II: DIFFERENT TYPES OF WELFARE STATES AND THEIR CONSEQUENCES FOR POVERTY, REDISTRIBUTION AND INEQUALITY



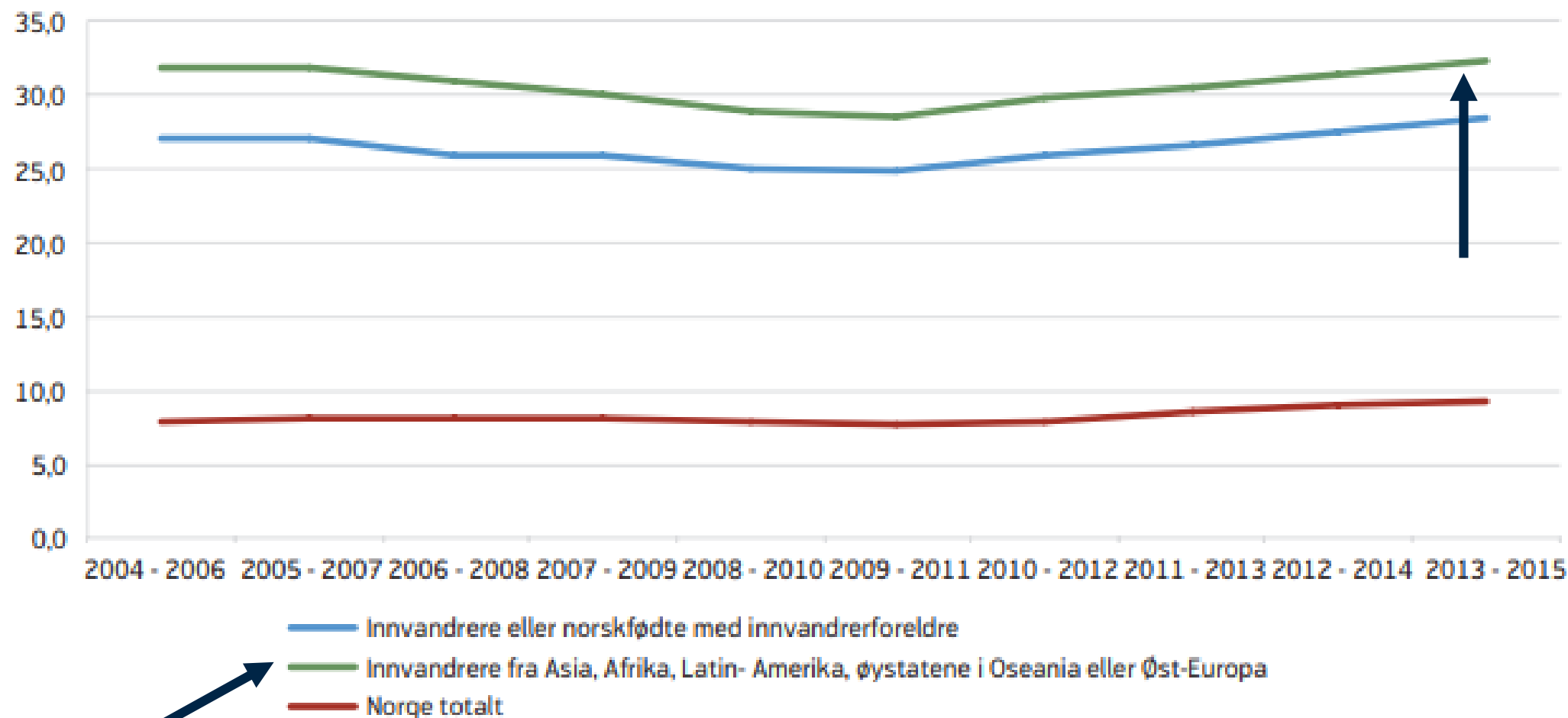
People at risk of poverty or social exclusion, 2015



Source: Eurostat

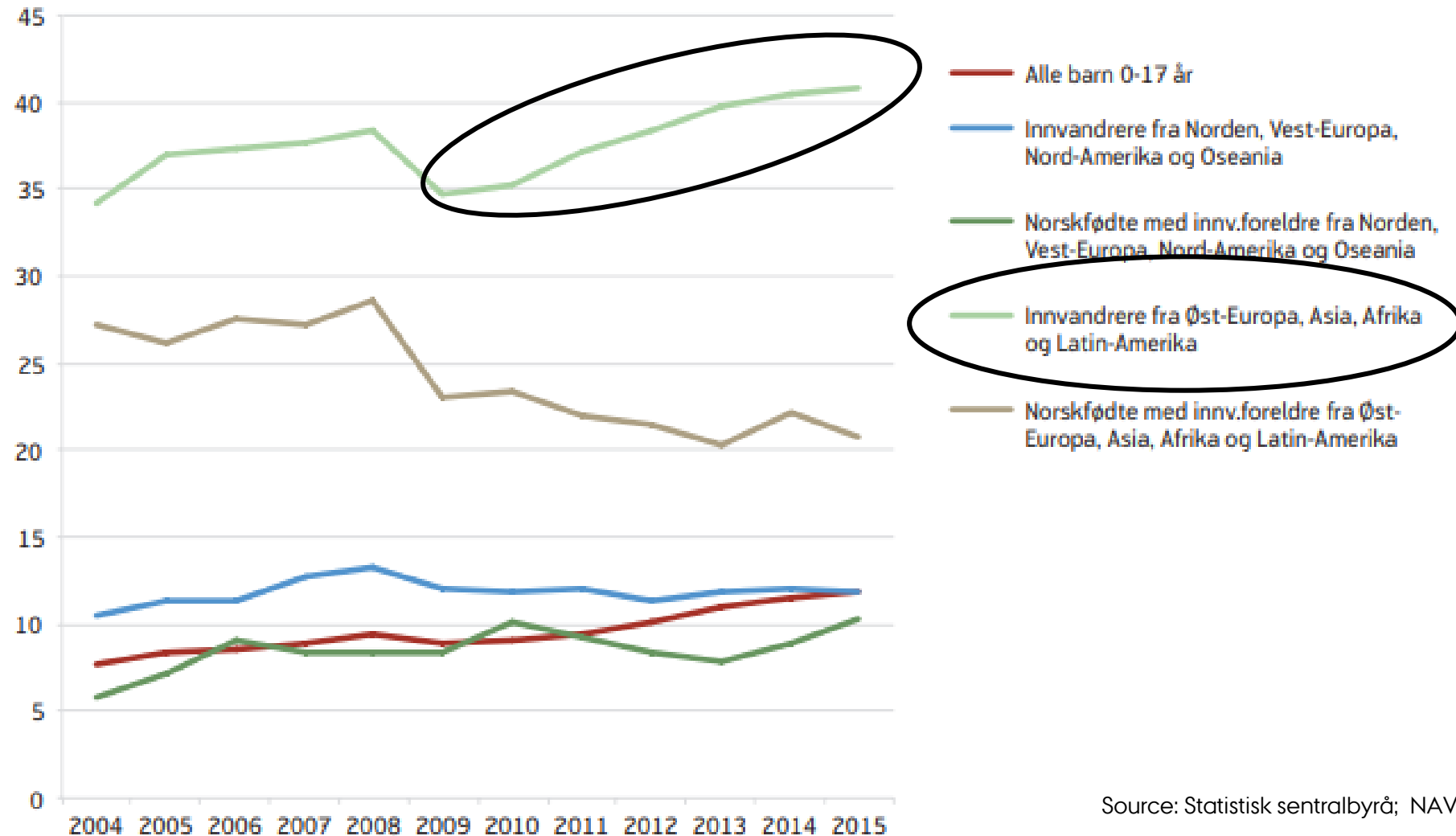
CHALLENGE. PERSISTENT LOW INCOME/RISK OF POVERTY AMONG MIGRANTS

Figur 8. Vedvarende lavinntekt (EU-60) blant ulike innvandrergupper. Treårsperioder. Prosent

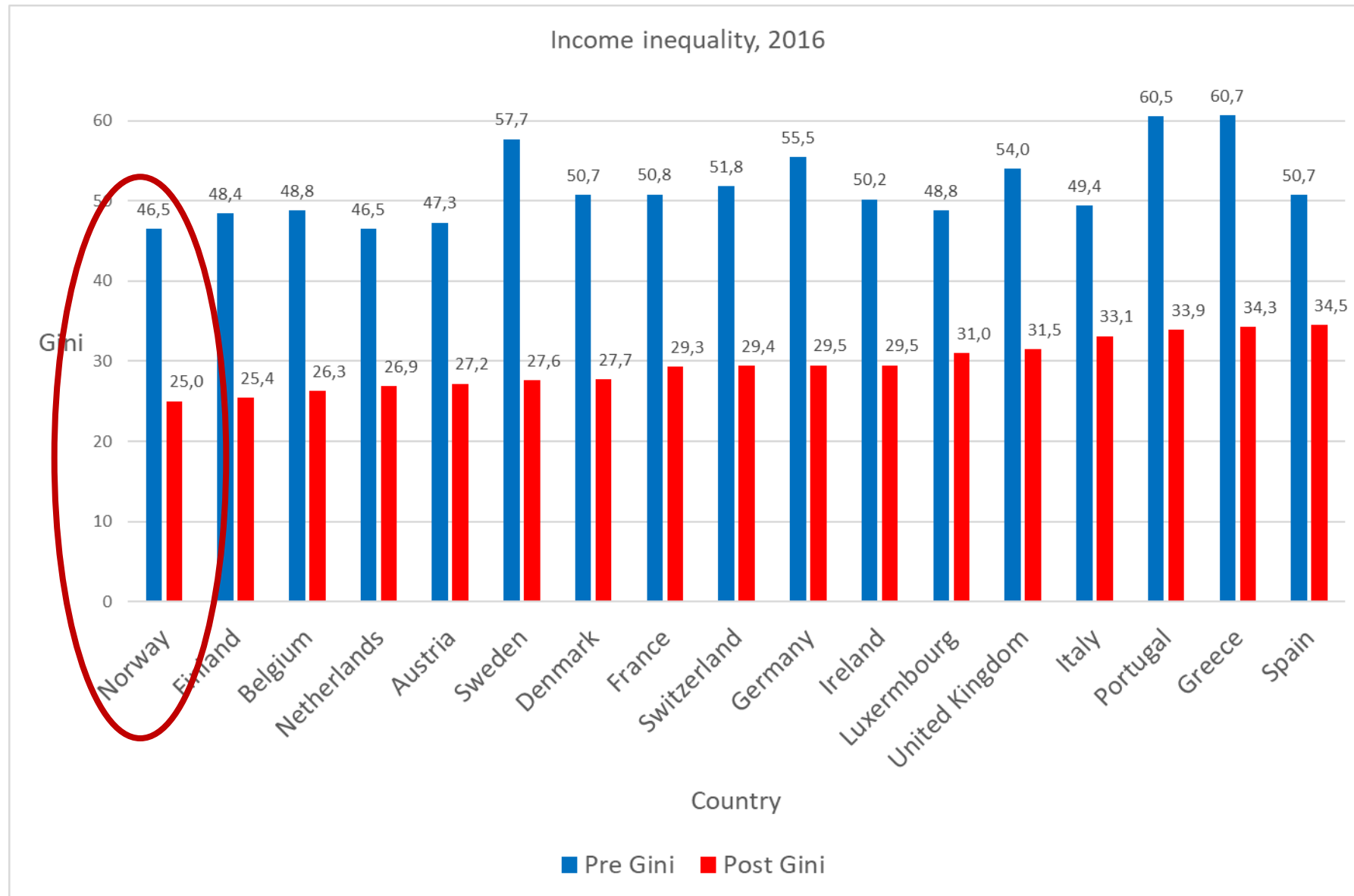


CHALLENGE. CHILD POVERTY AMONG MIGRANTS

Figur 11. Andelen barn som lever i en husholdning med årlig lavinntekt (EU-60), etter landbakgrunn og innvandningsstatus



Source: Statistisk sentralbyrå; NAV 2017



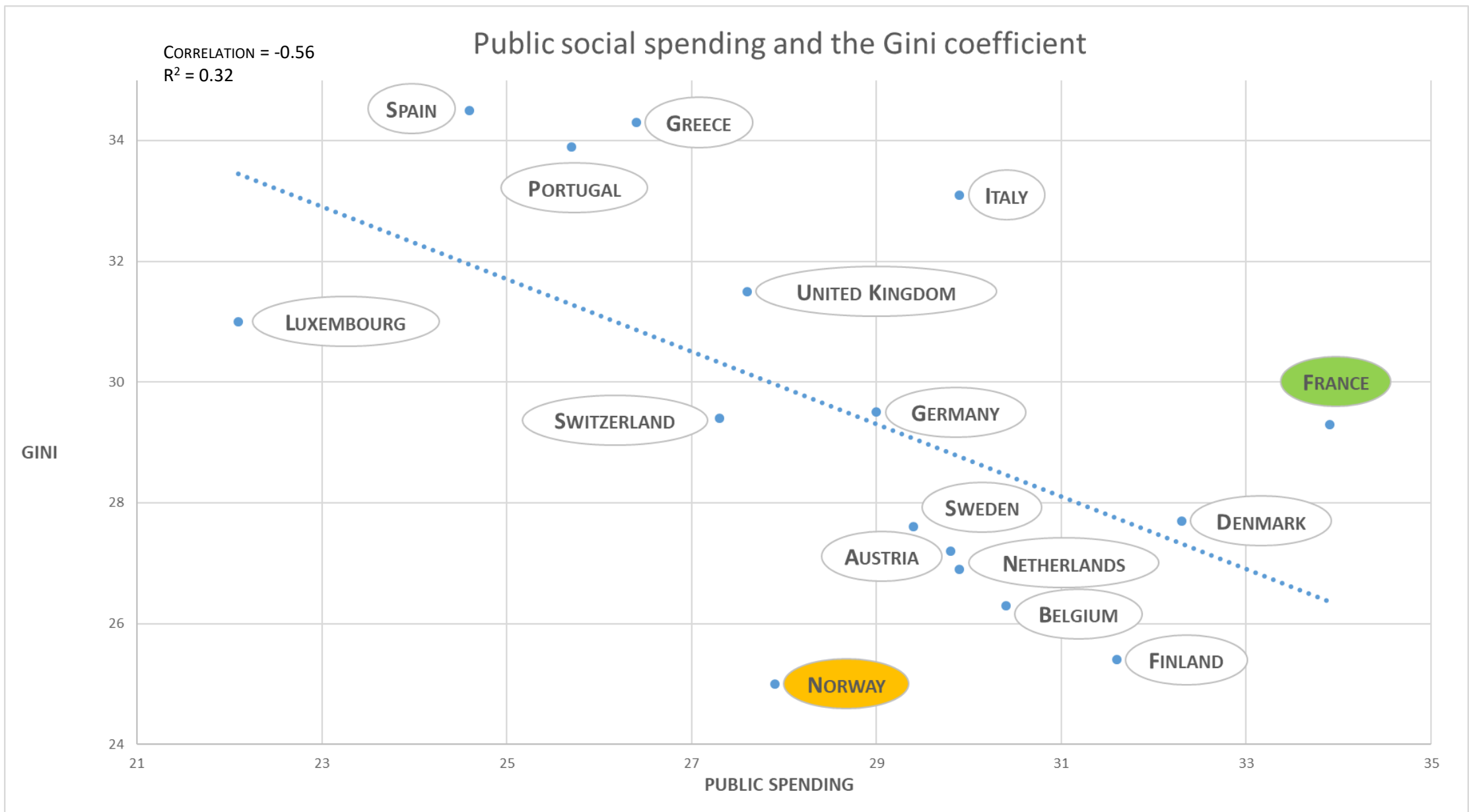
Source: Eurostat

Gini coefficient:

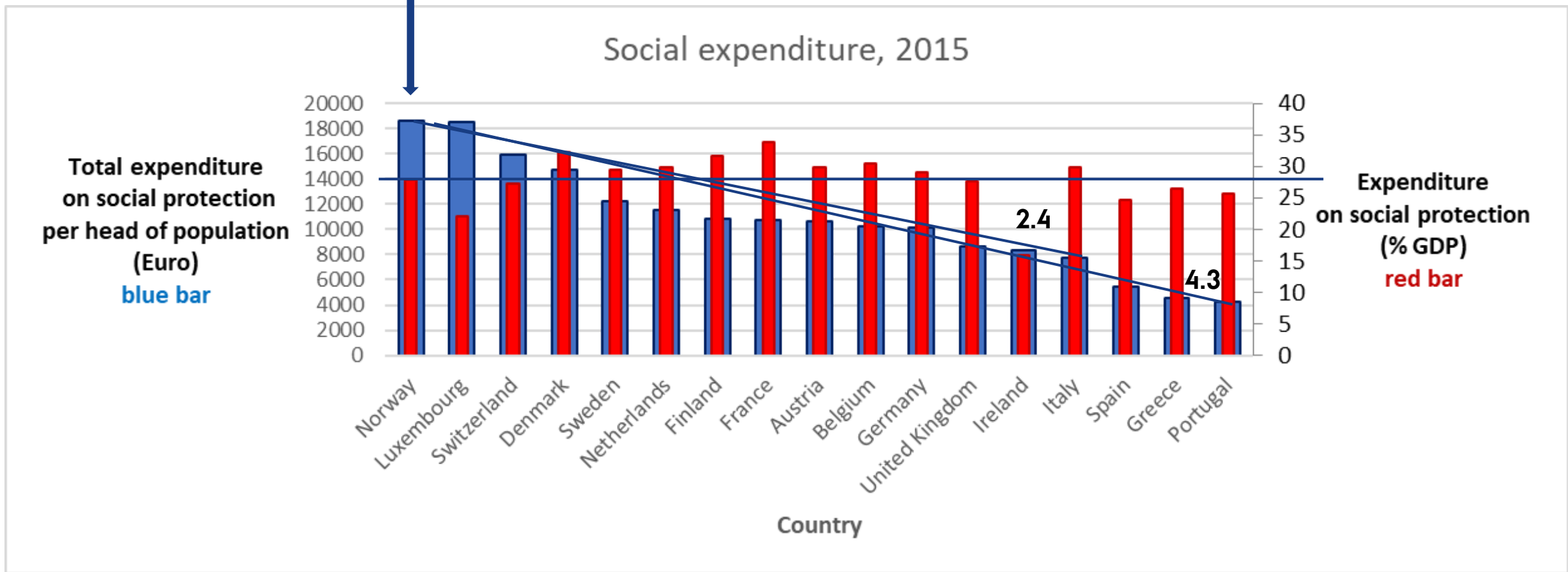
= 0 if all have same income (perfect equality)

= 100 if one person has all income (perfect inequality)

Meaning of the number: how much income needs to be redistributed to reach perfect equality



Note: Public social spending includes both public and mandatory private spending and is calculated as a percentage of GDP. Source Eurostat



WELFARE STATES = REDISTRIBUTION AND MORE EQUALITY?



- United States has **big welfare state** if you include various types of **tax breaks for social purposes**
- **Tax “expenditures”** = taxes citizens should have paid if it was not for various deductions = 6 % of GDP in 2013
- Tax expenditures of the “hidden” American welfare:
 - more spending than **Medicare** (3.1 % of GDP)
 - more spending than **Social Security** (5 % of GDP)

WELFARE STATES = REDISTRIBUTION AND MORE EQUALITY?

UNITED STATES EXAMPLE: TAX EXPENDITURES ARE REGRESSIVE

50 %

of tax expenditures
goes to households in
the top 20 % of the
population

17 %

of tax expenditures
goes to households in
the top 1 % of the
population

13 %

of tax expenditures
goes to households in
the middle 20 % of
the population



only 8 %

of tax expenditures
goes to households in
the bottom 20 % of the
population

WELFARE STATES = REDISTRIBUTION AND MORE EQUALITY?

UNITED STATES EXAMPLE

In all 50 states low- and middle-income families pay higher taxes than the wealthy



In the most regressive American states the poorest 20 % pay 7 times more of their income in taxes than the top 1 %

The lower a family's income, the higher the effective state and local taxes are

WELFARE STATES = REDISTRIBUTION AND MORE EQUALITY?

But also in Denmark are tax expenditures regressive:



Housing/garden improvement tax deductions according to income group in Denmark, 2013

Personal income (USD)	People using tax break (% of total in income group)	Average amount (USD)
Under 30,000	5.4	1,288
30,000-51,000	12.7	1,300
51,000-73,000	19.7	1,365
73,000-100,000	29.1	1,442
Over 100,000	38.8	1,600

Source: The Danish Ministry of Taxation 2014.

WELFARE STATES = REDISTRIBUTION AND MORE EQUALITY?

Universal, tax-financed welfare states, even without progressive taxation, are more redistributive than other systems

The redistributive effect of the universalist welfare state

Group	Average income	Tax 40%	Transfers	Income after taxes and transfers
A (20%)	1000	400	240	840
B (20%)	800	320	240	720
C (20%)	600	240	240	600
D (20%)	400	160	240	480
E (20%)	200	80	240	360
Ratio between groups A & E	5/1	(= 1200)	(1200/5)	2.33/1

Source: Rothstein 1998: 147, table 6.2

WRAPPING UP PART II

Welfare states vary dramatically in

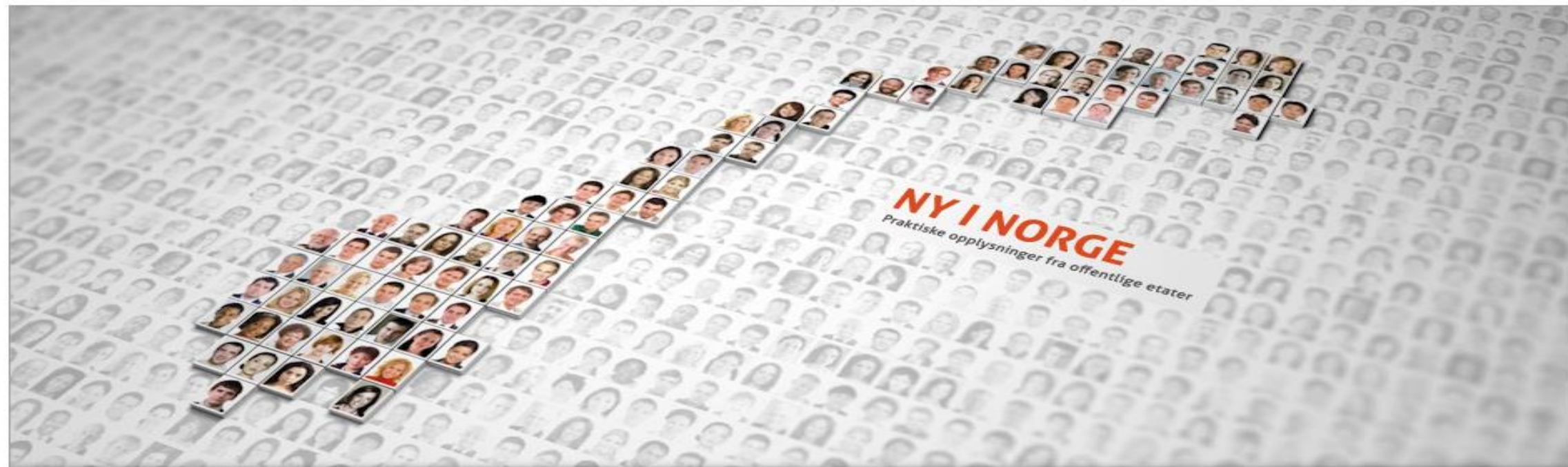
- how well they protect citizens against poverty
- how much they reduce inequality by income redistribution



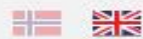
But **even the best welfare state (NORWAY) still has (some) poverty**, particularly among migrants (children in migrant families)

NEW IN NORWAY

Practical information from public offices



Family migrants



- ▶ Are you family migrant married to a Norwegian citizen?
- ▶ Are you going to marry a Norwegian citizen?
- ▶ Are you Norwegian citizen and are going to marry a foreign citizen?

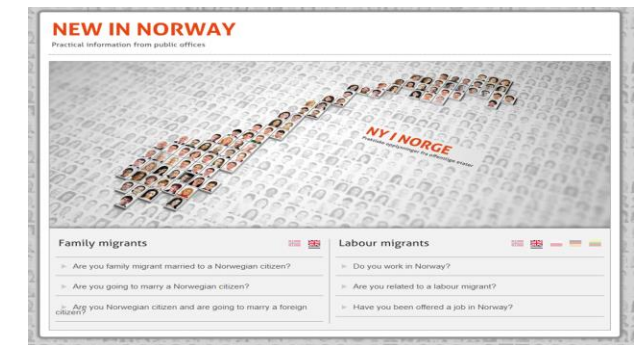
Labour migrants



- ▶ Do you work in Norway?
- ▶ Are you related to a labour migrant?
- ▶ Have you been offered a job in Norway?

TEACHING NEWCOMERS ABOUT THE WELFARE STATE IN NORWAY

“Norway is often referred to as a welfare state. This means, firstly, that the state and local authorities have a responsibility for ensuring that all Norway’s inhabitants have access to certain fundamental goods, such as schools, the health service and income in the form of benefits or social security if they are unable to work.”



<http://www.nyinorge.no/en/Familiegjennforening/New-in-Norway/About-Norway/History/A-welfare-state/>

TEACHING NEWCOMERS ABOUT THE WELFARE STATE IN NORWAY

“A welfare state also means that every member of society shall enjoy these benefits; they are not just for rich people and they are not just emergency aid for the poorest people in society. Lastly, a welfare state means that there is a certain redistribution of income, so that everyone contributes to the common good through direct and indirect taxes.”



<http://www.nyinorge.no/en/Familiegjenforening/New-in-Norway/About-Norway/History/A-welfare-state/>

TEACHING NEWCOMERS ABOUT THE WELFARE STATE IN NORWAY

The fact that Norway is a welfare state means that people who live here have certain rights... At the same time, however, it also means that people have duties that set out what they should or must do – for example to try to find a job and provide for themselves if they can....This means that you cannot receive without trying to contribute.

<http://www.nyinorge.no/en/Familiegjenforening/New-in-Norway/About-Norway/History/A-welfare-state/>



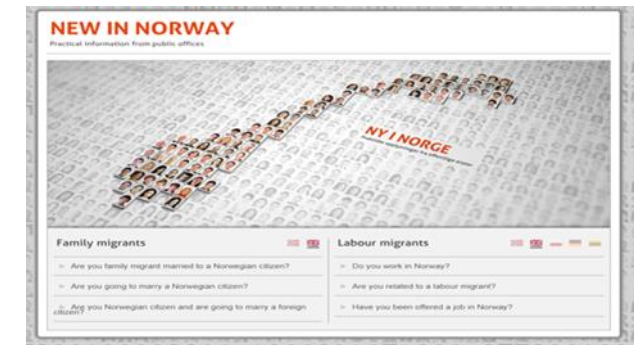
WRAPPING UP PART III

UNIVERSALISM: THE NORMATIVE VIEW

‘The vision is to help people to maximize their human potential in a belief that it is good for both the individuals and the society’ (Kangas and Kvist 2013: 150).

Universalism:

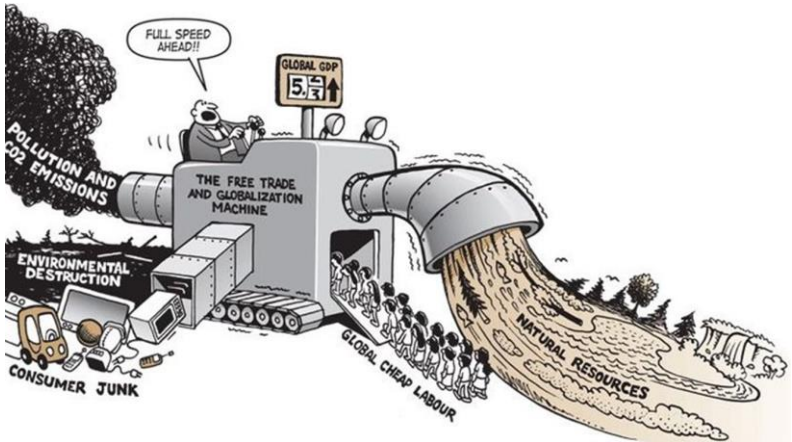
- full coverage of the national population
- generosity in benefits for all
- high quality social, health and education services
- strong assumption: **everybody contributes; everybody benefits**
- low poverty and low inequality (both goal and effect)



PART IV: WHAT ARE THE CHALLENGES? USUAL SUSPECTS

From without:

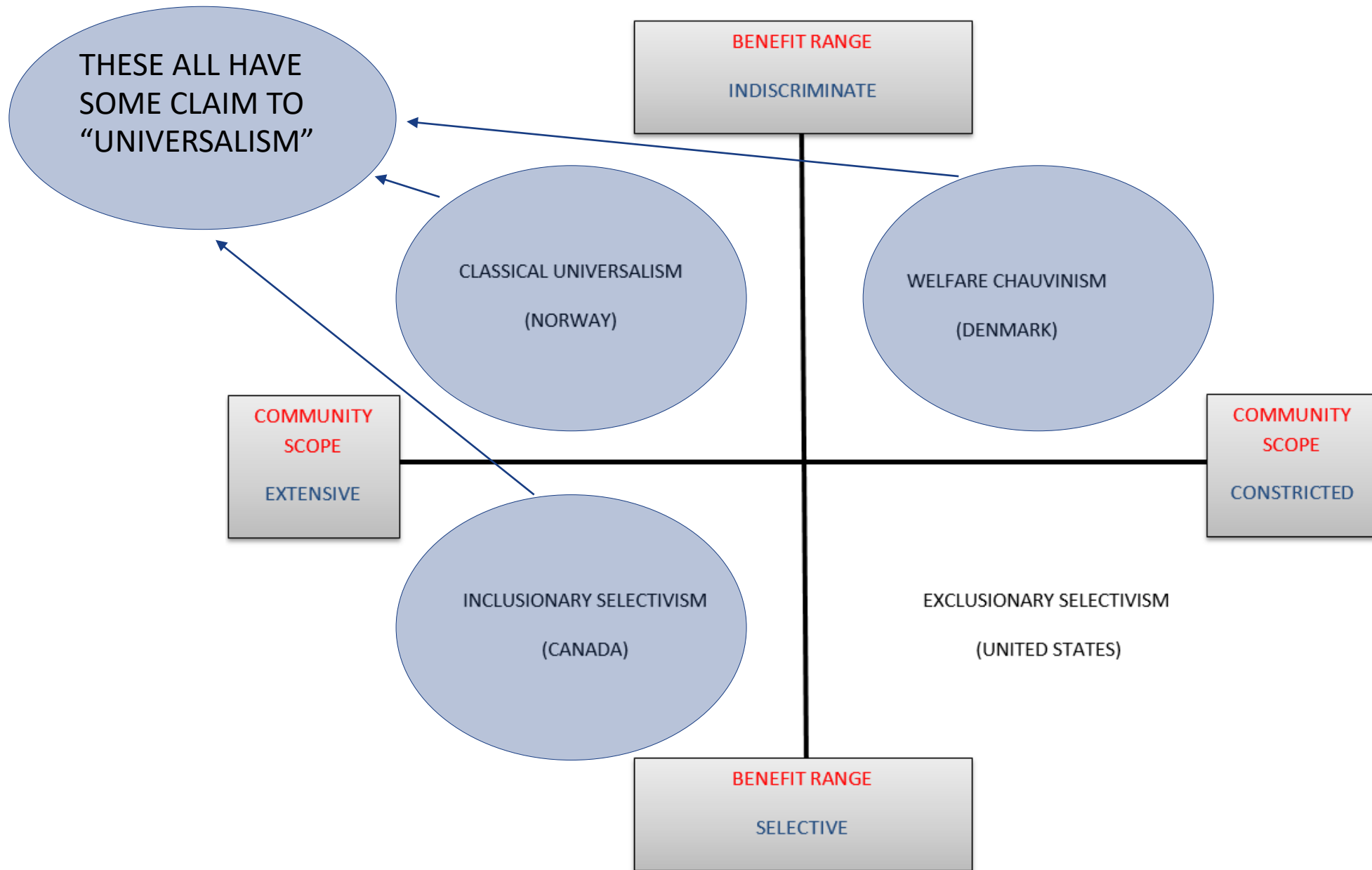
- Globalization
- Migration
- World (financial) market instability/unpredictability
- Disruptive technologies



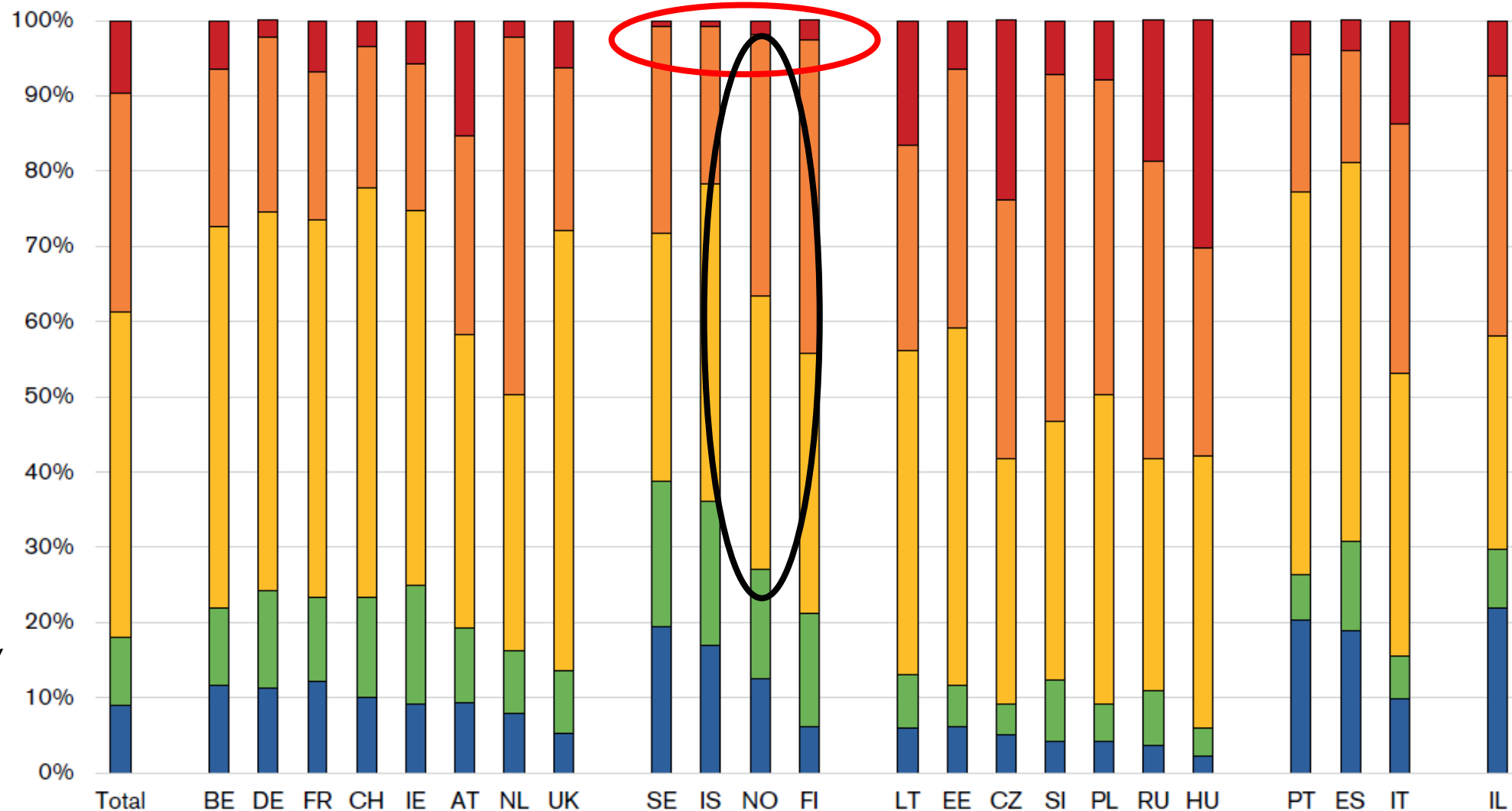
From within:

- Ageing
- Individualization
- Pluralization
- Postindustrialization/labor market changes/the gig economy
- Fiscal/budget limits
- Rising inequality/poverty
- Diminishing political/public support





Thinking of people coming to live in [country] from other countries, when do you think they should obtain the same rights to social benefits and services as citizens already living here?



European
Social Survey
data
2016/2017

Immediately on arrival

After worked and paid taxes at least a year

They should never get the same rights

After a year, whether or not they have worked

Once they have become a citizen

WHAT IS SPECIAL ABOUT NORWAY?

Norway is special in that it does **NOT** face certain challenges:

1. An unusually broad public and political support for the existing welfare state
2. The absence of any radical alternative conceptualization of the welfare state



RADICAL ALTERNATIVE CONCEPTUALIZATIONS

In other countries (e.g. United Kingdom; The Netherlands):

- Fundamental shift in idea what the welfare state should be
- Challenge to social rights; emphasis on obligations
- Reformulation of the appropriate role, power, rights and resources of key actors (benefit recipients, clients, producers, providers, unions, employer organizations, other interest groups)
- More market, more family, more civil society, less state

RADICAL ALTERNATIVE CONCEPTUALIZATIONS

Example 1: United Kingdom's Big Society

The plan of the Conservatives in 2010:

- From big government to big society
- Power from the state to society, from center to local communities, charities, social enterprises
- New type of citizen: the empowered citizen-volunteer embedded in their communities
- Radically cutting social spending, while creating a culture of responsibility

For that single mother who wants to work – we are making sure work pays. And for that person intent on ripping off the system, we are saying – we will not let you live off the hard work of others. Tough sanctions. Tougher limits. In short we're building a system that matches effort with reward instead of a system that rewards those who make no effort. That is not cutting welfare for the sake of it. That is a vital step in building a more responsible society in Britain.

DAVID CAMERON



Example 2: The Netherlands' Participation Society

It is an undeniable reality that in today's network and information society people are both more assertive and more independent than in the past. This, combined with the need to reduce the budget deficit, means that the classical welfare state is slowly but surely evolving into a **participation society**. Everyone who is able will be asked to take responsibility for their own lives and immediate surroundings.



Example 2: The Netherlands' Participation Society

Core ideas:

- Welfare functions should be taken over by informal care, volunteering and citizens' initiatives in neighborhoods and communities
- Less state and more retrenchment
- Decentralization of policies and services



LUCKY NORWAY

- Broad support for a generous, inclusive welfare state
- Limited internal and external pressure: oil-financed budgetary fortune
- (Elite) consensus about welfare state adjustment (not radical reform)



SOURCE: TRADINGECONOMICS.COM | STATISTICS NORWAY

LUCKY NORWAY



Observations:

The discourse on welfare state change is not captured by any “big idea” of a radical overhaul of the welfare state

Public services are still favored on the condition that there is sufficient state capacity

It is in the room left open by the state, be it for budgetary or other reasons, that volunteering and non-profit organizations assume a new role

LUCKY NORWAY



Observation:

Debate is NOT on:

What is the best alternative for the welfare state

But rather:

What is the appropriate place and role of civil society organizations within state-dominated system of social benefits and services?

LUCKY NORWAY



THE DIFFERENCE:

«Et bærekraftig
velferdssamfunn» blir
overskriften på regjeringens
arbeid kommende år.



DEPARTMENT OF POLITICAL SCIENCE
AARHUS UNIVERSITY