

Appendix: Flexibility, Security and Flexicurity.

Anglosaxon Countries: Flexibility

Accepting high/increasing economic inequality - low social protection, make work pay, adapting incomes to labour productivity.

- **relatively high economic growth**
- **many low-productive service jobs**
- **large numbers of “working poor”**
- **compensated through in-work benefits (tax compensation)**
- **which sometimes interfere with taxes and other means-tested benefits and produce disincentives (extremely high combined marginal taxes)**

Poverty problems + insufficient public services, low-quality child care.

Continental Europe: Security

1. Large emphasis on social responsibilities of firms

- **Social rights linked to employment (Bismarck model)**
- **High protection against unemployment (difficult to fire older workers)**
- **Low labour market mobility**
- **Often “Internal labour markets”**
 - **life-long employment**
 - **wage determined by number of years in the firm rather than by productivity (an additional advantage for workers in defined benefit pensions systems)**
- **NL: Employers increasingly responsible for employment of older workers even though they are worn down**

Problem: Welfare model is not acting in conformity with the market. Not flexible enough.

Under pressure due to globalization.

Insider/outsider problems

Growth in precarious jobs (fixed-term, involuntary part-time etc.)

Deficit of service jobs to replace job losses in manufacturing :

- **Male breadwinner model with generous income replacement but low-developed social services in the care sector (elderly care, child care)**
- **→ few service jobs in the public service sector**
- **Relatively high minimum wages**
- **→ few low-productive service jobs in private sector**

- **Problems with inadequate child care and low fertility rates**

Denmark: "Flexicurity" - Danish style:

1. Flexibility and security in conformity with the market

Background: Not deliberately created as an adaptation to globalisation. But rooted in a situation where Danish companies were small and very much oriented towards exploiting (temporary) niche opportunities. Therefore, social obligations of firms have been reduced to a minimum (Unlike in Sweden and Norway wher companies were large).

Flexicurity model:

- **unusually low protection against unemployment**
- **generous protection of those unemployed**
 - **long duration of Unemployment Benefits (4 years for everybody), relatively easy access**
 - **voluntary early retirement on favourable conditions from the age of 60: Early retirement allowance (but next to Sweden, Denmark nevertheless has the highest retirement age in EU-15).**
- **active labour market policy (especially from the 1990s)**

Effects:

- **extremely high labour market mobility**
- **firms will hire when they can fire**
- **workers more willing to take risks by taking a new job**

2. Service employment (the Scandinavian model)

- **Few low-productive service jobs in private sector due to high minimum wages**
- **Relatively low-paid, but semi-professional and reasonably prestigious jobs in te public service sector (e.g. child care requires college education)**
- **This means a socialisation of care obligations of the family. Relieved from these obligations, famlies are able to work full time for both spouses. "Double-earner families" and relatively high fertility rates (about 1.80)**

3. Lowest level of social marginalisation among unemployed in Europe

- **Denmark is quite outstanding in a European and even in a Scandinavian context of comparison**

4. Education extremely important

- **the number of unskilled jobs is declining rapidly due to outsourcing etc. But the number of unskilled workers is declining even faster.**

5. Scandinavian welfar states are superior to US and UK in maintaining high employment rates and low unemployment among workers with low educational attainments

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Table 11. Real GDP growth rates (annual average). Per cent

	1980-2005	1980-1989	1990-1999	2000-2005
Denmark	1.8	1.6	2.1	1.7
Sweden	2.0	2.2	1.6	2.5
Norway	2.8	2.4	3.5	2.2
Finland	2.4	3.1	1.4	2.8
Nordic Countries	2.3	2.3	2.2	2.3
Netherlands	2.1	2.2	2.6	1.1
Belgium	1.9	2.0	1.8	1.7
Austria	2.2	2.3	2.3	1.7
Germany	1.8	2.3	1.6	1.1
France	1.9	2.4	1.5	1.9
Italy	1.6	2.3	1.3	1.0
Euro Area	1.9	2.4	1.7	1.7
Japan	2.3	3.9	1.2	1.3
Australia	3.2	3.2	3.2	3.1
Canada	2.7	2.8	2.4	3.0
UK	2.4	2.6	2.1	2.4
USA	3.0	3.3	2.9	2.9

Source: Calculated from OECD (2005) Economic Outlook (june), table A1.

Labour Productivity in the Business Sector (annual average). Per cent

	1978-2005	1978-1989	1990-1990	2000-2005
Denmark	1.8	1.1	2.4	2.1
Sweden	2.5	2.2	3.1	2.1
Norway	2.2	1.4	2.8	2.7
Finland	3.0	3.6	2.8	2.3
Nordic Countries	2.4	2.1	2.8	2.3
Netherlands	0.9	0.8	1.1	0.9
Belgium	1.9	2.4	1.6	1.2
Austria	2.1	2.3	2.4	1.2
Germany	1.4	1.3	1.8	0.8
France	1.9	2.6	1.5	1.2
Italy	1.6	2.3	1.7	0.2
Euro Area	1.7	2.3	1.6	0.7
Japan	2.0	2.9	1.1	1.7
Australia	1.7	1.5	2.3	1.0
Canada	1.2	0.9	1.5	1.3
UK	2.1	2.1	2.1	2.1
USA	1.6	1.1	1.7	2.6

Source: Calculated from OECD (2005) Economic Outlook (june), table A12.

Life incomes for different education groups. Metal worker= 100.

	private income	gross income	disposable income	equivalent disposable income (incl. spouse)
Unskilled female worker	57	71	78	90
Semi-skilled, male	81	87	90	93
Metal worker	100	100	100	100
Teknician	106	106	104	105
Engineer (3 y)	149	140	126	116
Enigineer (5 y)	181	167	143	132
Day care	77	83	87	96
School teacher	90	95	97	105
Nurse	85	89	92	109
Physician	189	174	145	135
Business economist	167	155	128	120
Economist	185	171	133	127
Lawyer	165	155	124	123
Humanities	100	101	99	105
Physician/female unskilled worker	3.32	2.45	1.86	1.50

Source: Danish Economic Council DØR.(2001: 175)

Does the tax/welfare system reduce poverty:

Relative poverty before and after tax/transfers, medio 1990's

Percentages

	before	after	per cent brought above poverty level
Denmark	26	5	81
Sweden	36	7	81
Finland	21	5	76
Norway	23	8	66
Netherlands	24	7	71
Belgium	35	8	77
Germany	27	9	67
France	36	7	81
Italy	29	14	52
UK	31	12	61
USA	27	17	37

Source: Förster (2000: 151). Baseret på 50 pct. median ækvivaleret indkomst grænsen.

Unemployment, by education. 2003. Per cent

	Unemployment, by education, 2003 (age: 25-64) ¹⁾				employment rates among low-educated males	long-term unemployed (>1 year) as % of all unemployed 2004
	(1) Less than upper sec.	(2) Upper sec.	(3) Tertiary	(1:3)		
USA	9.9	6.1	3.4	2.9	68.9	12.7
EU-15	10.9	7.3	4.9	2.2	70.9	42.4
UK	6.9	3.9	2.4	2.9	61.9	21.4
Italy	.	.	.		.	49.7
France	12.1	7.5	6.1	2.0	68.3	41.6
Belgium	10.7	6.7	3.5	3.1	61.9	49.6
NL	.	.	.		.	32.5
Germany	18.0	10.2	5.2	3.5	61.2	51.8
Denmark	7.2	4.4	4.7	1.5	71.6	22.6
Sweden	6.1	5.2	3.9	1.6	73.3	18.9
Norway	3.9	3.6	2.5	1.6	71.7	9.2
Finland	11.1	9.2	4.3	2.6	60.4	23.4

Source: OECD (2005a) Employment Outlook.

NPM and Swedish Welfare Services: The Impact of New Ideas

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Welfare services like primary education, health care and social care have in Sweden until recently been provided almost exclusively by the public sector. During the 1990s these areas underwent reforms and were opened up to private enterprise, competition and free choice on the part of users. The reforms represented a break with values that had previously guided welfare service provision in Sweden, like the need to shield the system from market forces and to standardize the services in order to preserve their egalitarian character. They are puzzling, moreover, because their seeming neo-liberal orientation runs contrary to dominant perceptions of the Swedish system as the social democratic welfare state “par excellence” (Blyth 2002, p.12).

The main question raised in this paper is how the recent market-orientation of welfare services provision in Sweden can be explained. The answer points to the broad impact within Swedish politics during the 1980s and 90s of a set of ideas known under the label New Public Management (NPM). NPM encourages the introduction of market dynamics, particularly competition, into the public sector in order to increase its efficiency. As a social force based in ideas and expert knowledge, rather than partisan politics or economic necessity, NPM has often been over-looked when welfare policy developments are explained. Nevertheless, as demonstrated in the paper, there is much evidence of its transforming impact within key welfare areas like health care, primary education and social care. The paper argues that NPM, with its emphasis on privatization, market-orientation and consumer choice, should be seen as an expression of neo-liberal thought, but one that often has gained influence through policy experts and civil servants, rather than open political struggle. In Sweden, NPM provided a new policy discourse, thereby facilitating agreements between the social democratic party and the right-wing opposition on the re-orientation of the welfare service sector.

The paper also points to the fact that the predominant tendency within contemporary welfare state research to focus on income protection programs, rather than services, when welfare policy change is assessed, and to measure “change” foremost in quantitative terms like spending or income replacement, has contributed to recent policy developments in service provision being overlooked. This has not only led to, as in the Swedish case, underestimation of the scope of policy change, but also our understanding of “change” within a welfare politics has become unnecessarily limited.

The paper is disposed as follows. In the next section, I give a brief account of the Swedish welfare system and the way in which developments within this system have been described in recent welfare state literature. Thereafter I turn to the New Public Management movement and the main ideas promoted under this label. The third section of the paper describes policy changes within Swedish social services like education, health and social care after the 1980s, demonstrating that previous 'social democratic' values like egalitarianism and public planning have given way to more liberal notions like competition, diversity and choice. In the final section of the paper I discuss the role played by NPM in Swedish politics during this period and the implications for our understanding of welfare state development,

By "market-orientation", I refer in the paper to a wide range of policy initiatives which aim to make organizational modes within the public sector become more like those found on private markets, including decentralization, performance –related payments, contracting, consumer choice and other types of market-like organizational arrangements. "Privatization" refers to measures which transfer responsibility, tasks and ownership from the public sector to actors outside of it. "Consumer choice" refers to a practice whereby citizens are provided with a choice of different, albeit publicly financed, service alternatives. It can be linked to privatization if private actors are allowed to compete for the favors of service users; but can also (although this is less common) be restricted to a choice between public service providers only.

The Swedish welfare state in the face of transforming pressures: merely "stability"?

The Swedish welfare system is often considered to be the prototype of the social democratic welfare state in Esping-Andersen's famous typology. This means that it shares the most prominent features of this ideal type, namely relatively generous programs for income protection (pensions, sickness insurance and unemployment insurance) and universalistic social services which are tax-based and, in most cases, provided directly by the state. The virtual public monopoly on the provision of social services like education, health- and social care represent an important difference in relation to so-called Christian-democratic, or conservative, welfare states, which are also characterized by well-developed systems of income protection but where social service provision is usually mixed, with a high degree of private, non-profit, actors. Other features of the social democratic welfare state include active labor market policies and a range of measures aimed at gender equality and the active

participation of women in the paid workforce (paid parental leave, universal access to subsidized child care, etc.) (Esping-Andersen 1990).

Before the Second World War, the Swedish welfare state had multitude of private service providers, for instance, in the school and health care sectors, and was in this respect not so different from welfare states on the European continent. The near-elimination of private providers that followed after the war was the result of a conscious strategy on the part of the ruling social democratic party to construct a complete and carefully planned public system of professionalized and standardized services in health, education and various forms of social care, including child- and elderly care. This was seen as an important means to the end of creating a welfare system guided by the principles of universalism and egalitarianism. The leading social reformer, Gustav Möller, formulated in the 1940s the principle of the "high-quality standard solution", whereby social services should be standardized at a high quality level in order to ensure that the rich and poor alike received identical services and no stratifying differences remained within the system (Rothstein 1994). Thus, it was considered important that the services were not only publicly subsidized and available to all, but that they were the *same* for all.

The insistence upon exclusive public provision and standardization of all welfare services testifies to the strong ideological commitment by the Swedish social democratic party, which governed the country during the postwar era (1932 to 1976), to values like egalitarianism and the destruction of stratifying mechanisms in society (Esping-Andersen 1989). This policy implied, moreover, that collective social rights were given predominance over individual rights, and that expressions of social and cultural diversity had little or no place within the welfare system. Neither did citizens have any right, or possibility, to choose between different service establishments, but were directed to the institution (i.e. school, hospital or care facility) in their area of residence. The public system of service provision was gradually expanded in Sweden and the other Scandinavian countries after the 1950s and consumed, in the early 1980s, a significantly larger share of total social spending than in non-social democratic welfare systems (Esping-Andersen 1985, Olsson Hort 1990).

Developments within the system after the 1970s

Most observers agree that the structural changes in economy and society represented by forces like globalization, lower growth levels and political neo-liberalism have contributed to a new,

harsher environment for the welfare states of the advanced industrial world. Globalization can be said to threaten welfare states because it removes national barriers for trade and production and makes capital more mobile. In this way, globalization undercuts the regulatory powers of the nation state and creates a pressure to lower tax levels (including employer contributions to social welfare systems) so that domestic firms are not placed at a disadvantage in relation to their competitors. Income from taxes on the part of the (welfare) state will also be reduced in a globalized economy if heightened economic competition leads to lower growth levels and thus reduces the taxable income of firms and workers. Given that demographic shifts during the same period have produced more, rather than less, demand for welfare benefits (particularly pensions and health services) this exposes welfare states to new cost pressures and what Paul Pierson has called a “condition of permanent austerity” (Pierson 1998).

“Neo-liberalism” refers to a new orientation within conservative political thought after the 1960s which draws on neo-classical economic theory to support arguments about the detrimental role of the large, interventionist state that developed in Western societies after the 1930s. Its central claim is that this type of state is harmful for the economy as well as civil society in that it distorts incentives for growth and work as well as reduces individual freedom. The main goal for neo-liberalists, thus, is to reduce the role of the state in both these spheres. The rise of the neo-liberal ideology provided critics of the welfare state on the right with a more coherent political agenda and contributed to the increasingly harsh attacks on existing social programs in many countries after the 1970s.

Much research effort has been directed towards examining how various welfare systems have responded to these new economic and political challenges. In the Swedish case, the general finding has been that the system has been very stable and “resilient” in the face of the transforming pressures represented by globalization and neo-liberalism (Stephens 1996, Esping-Andersen 1996, Swank 2002). Despite the fact that the Swedish economy is very open to international trade, and that the country underwent an economic crisis in the early 1990s, with severely reduced growth, which created large budget deficits and led to a steep rise in unemployment, cut backs in the welfare system have been modest and popular support for the system continuously high (ibid., Brenner and Bundergaard Vad 2000, Lindbom 2001, Svallfors 1992,1999).

Evidence of the resilient nature of the Swedish welfare system in comparison with other systems has also been cited to support more general conclusions about the nature of welfare

states and their ability to resist pressures for dismantlement. Specifically, it has been argued that the ability of welfare states to resist such pressures depends on the particular political and institutional configurations associated with the various welfare state 'types' identified by Esping-Andersen. According to this argument, social democratic welfare states are protected from the forces of globalization and political neo-liberalism because of their specific political institutions and policy arrangements within the welfare sector. The broadly inclusive nature of the political institutions, like the proportional electoral system, the corporatist system of interest mediation and a consensual political culture, leads to a strong political representation of societal interests who support the welfare state, while the universalist character of the social democratic welfare programs ensure their broad popularity among voters, including the middle classes. As a result, social democratic welfare states have been considered less politically vulnerable in the face of globalization and right-wing political attack than both liberal and conservative welfare states (Swank 2002).

It should be noted, however, that most accounts of the modest adjustments and the highly stable character of the Swedish welfare system during the last two decades have not placed much emphasis on developments in the welfare services sector. Despite the fact that most observers of the Swedish welfare state have recognized that the virtually monopolistic public service sector is its perhaps most distinctive element, discussions about retrenchment within the system have tended to focus on programs for income protection rather than services (see for instance Palme and Wennemo 1998, Lindbom 2001, Brenner and Bundegaard Vad 2000). If attention is paid to the welfare services, evaluations of retrenchment are usually restricted to quantitative measurement, such as total spending or degree of public spending (cf Stephens 1996). Although data on alterations in spending within this area tend to be difficult to gather and hard to interpret (given that account has also to be taken of changes in the demand for the various services) the general picture that emerges from such assessments is that, although there were some cutbacks in this sector during the early 1990s, they were relatively limited (see for instance Lindbom 2001). Thus, this evidence is typically cited in support of the general view that the Swedish welfare state has survived its 'crisis' without too much adjustment and still adheres to the same, social democratic, principles.

This conclusion, I argue, misses an important point, since it fails to recognize that far-reaching changes have taken place *in the fashion in which* social services are provided in Sweden. The previous system of public provision of uniform services, allocated through bureaucratic planning, has been replaced with a system where the choices of service users

play a much bigger role, private providers have re-established themselves and relations between actors within the system are conducted in an increasingly market-like environment. Taken together, these developments testify to the fact that substantive changes have taken place in at least one core area of the Swedish welfare system. The reforms undertaken in the welfare services sector are described in more detail below.

The tendency to give less –if any– room to the provision of social services when developments in welfare states during the last two decades have been assessed has led to the possible *causes* behind such developments remaining largely unexplored, especially when they have taken place in non-liberal welfare states. In particular, reforms concerned with restructuring the public sector in many Western (and non-Western) countries during this period have rarely been examined in detail, despite the fact that they signify a policy movement that has transcended both partisan lines and welfare state “types”. Sweden was, together with the UK and New Zealand, one of the countries where such attempts were most far-reaching during the 1990s, which meant that key welfare areas were affected (Saltman and von Otter 1995, Englund 1990). The restructuring of the state and introduction of market-based modes of organization within the public sector is a policy trend that has affected many so-called conservative welfare states as well, for instance through market-orienting health care reforms in Germany, the Netherlands and Italy, or new forms of parental choice in France (Blomqvist & Rothstein 2000).

Arguably, reforms undertaken to re-structure the state, including the public provision of services, can be attributed neither solely to partisan politics nor understood simply as spontaneous, ad hoc measures to reduce public spending levels due to economic necessity. They have been too systematic, too similar across borders, and, at least at the planning stage, too clearly reflective of a specific set of principles for an ad hoc explanation to be satisfactory. A partisan explanation, i.e. that attempts to restructure the state and introduce market-like organizational measures into the public sector should be seen foremost as reflective of the political agendas of Right-wing governments, is disproved by the fact that reforms with similar contents, albeit often with a different rhetoric, have been undertaken also in countries governed by the Left (Pollitt and Bouckaert 2004). Thus, it seems like the ideas that have guided attempts to re-structure public bureaucracies during the last decades, which are best known under the label New Public Management (NPM), must be analyzed as a political force in and of themselves. This has, of course, already been acknowledged by students of public administration and policy analysis, but, so far, their analysis of the NPM phenomena and its

effect within various welfare areas remains poorly integrated with the comparative welfare state literature.

What is NPM?

New Public Management is a loosely held together set of ideas that seeks to transform the state by introducing into it organizational and managerial practices from the private business world. It advocates, broadly speaking, that public bureaucracies should abandon the hierarchical and rule-bound modes of governance that characterize them and instead decentralize authority, leaving lower level units to solve problems in an independent manner. An important message of NPM advocates is that, rather than formulate in detail the means to achieve policy ends, the state, in the form of centrally placed policy makers, should be concerned foremost with policy *goals*, leaving independent managers to decide exactly how the tasks should be accomplished (Self 1990, Walsh 1995).

Another central principle in NPM is that the state itself should execute as few tasks as possible and instead, whenever possible, leave their implementation to non-state actors. This is known in the literature as the “steer, not row”-principle (Osborne and Gambler 1992). As a means of ensuring that the non-state actors perform their task, NPM advocates that contracts should be employed and that private organization should be awarded this in open competition. In this way, the state can resort to the role of “purchaser” of public services whereas the practical work can be performed without too much hindering state regulations and with the efficiency-promoting dynamics of the market. Thus, New Public Management rarely advocates full privatization, where the state pulls back completely from the tasks it has previously set for itself. The basic idea, rather, is that the state should continue to finance and regulate public services, but that their actual *provision* should be left to private actors (Walsh 1995).

The broad influence of NPM ideas among politicians, policy experts and civil servants all over the world during the 1980s and 1990s has been well-documented, even though applications and policy rhetoric have differed (Pollitt & Bouckaert 2004). As many social researchers have noted, NPM has also had a profound impact on organizational practices within welfare policy sectors like primary education, health- and social care (Bartlett et al 1994, Clarke, Cochrane & McLaughlin 1994).