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Conflicts and compromises in the Nordic pattern of social regulation

A draft

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Introduction

The strong state is conventionally regarded as a major characteristic of the Nordic model of social regulation. Guaranteeing social rights, promoting gender-equality, or patronising people, the strong state is also a central figure in the discussion on the current challenges to the Nordic-type societal pattern. Some debaters, seeking for effective responses to the challenges of globalised economic competition, cross-national migration, or aging population, have put their hopes on actors and modes of action they find opposite or alternative to the strong state: market competition, civil society, or local community.

I will argue, however, that the strong state contrasting market, civil society and local community is a stereotypic image of the Nordic welfare states. Any relevant analysis of current transformations should include a historical deconstruction of common stereotypes. Stereotypes, or taken-for-granted beliefs, are not just something to be falsified. One should ask how they are embedded in social reality. The image of the strong state is “real” in the sense that it is effective in political debates, and it is also easy to show norms and institutions that can be plausibly interpreted this way. Comparative classifications of different welfare models or regimes are often based on defining one dominant actor or action field of welfare provision (the state, market, civil society, local community, or family), and in such comparisons it is quite natural to point out the strength of the state in the Nordic model.

Yet one should get beyond this image. Different directions for such a critical elaboration can be recognised. One might start from the observation that, even in the Nordic countries, a wide array of

actors appears as a rather permanent phenomenon in the production of welfare. There have been religious and secular, national and local, public and private, official and unofficial, obligatory and voluntary welfare providers, and a plenty of various mixes. Instead of classifying welfare models or regimes according to one dominant actor or field of welfare provision, and instead of greeting the emergence of non-state actors and activities as a great novelty, varying and changing relationships between different actors appear crucial for a historical understanding of the Nordic pattern of social regulation.

However, I will question the conventional image of the strong state from a slightly different perspective. I focus on the role of conflicting interests, especially those associated with labour market and working life. This topic does not only bring actors other than the state in the arena (trade unions, employer organisations, companies), it also helps to deconstruct the figure of a unified agency of the state, and to question the view of the state as an external regulator of economy and other fields of social life. Thus, the topic of different interests concerns both the politics by which the system of welfare is (re)shaped and the policy practices through which the system of welfare functions. But it also concerns the outcomes of policies in people's life world. I will argue that the recognition of different and conflicting interests within the framework of a national society came to be an important aspect in the making of the Nordic pattern of social regulation, in the practical functioning of this pattern, and in the notion of social citizenship that was associated with the outcomes of this pattern. I will approach the complex of these three levels from the point of view of the last mentioned one, the notion of social citizenship.

Interest-oriented social citizenship

The British sociologist T. H. Marshall (1950) famously distinguished between three stages and aspects of citizenship, each of them associated with the rights the state guaranteed to individuals: civil rights, political rights and social rights. In the Marshallian theory, the focus is on the evolution and dimensions of the relationship between the state and individual. However, focusing on state-individual relations is not enough, and especially not in the case of Nordic countries. The notion of social citizenship was developed in the Nordic countries through policies and collective actions, in which people were defined and defined themselves as parties of asymmetrical social relationships. Through these policies and collective actions they were empowered to articulate their interests within the framework of national society. Such an interest-oriented social citizenship was different from the idea of social citizenship based on individual social rights.

For clarifying and motivating this argument, a critique of two influential scholarly accounts of the Nordic model is helpful. One is the analysis of the Danish sociologist Gøsta Esping-Andersen (1985; 1991) on how “politics against markets” in the Nordic countries resulted in a high degree of “decommodification”. The other is the thesis of the Swedish historian Lars Trägårdh (1997; Berggren & Trägårdh 2006) on “statist individualism” as the main characteristic of the Nordic model. Both accounts are opposite to any simple view that associates the strong state with the patronising of people.

“Decommodification” à la Esping-Andersen owes to Karl Polanyi’s (2001 [1944]) historical analysis on the commodification of labour. The concept refers to policies that liberate people from uncertainties of living associated with the character of labour as a commodity. Social security is provided in case people cannot participate in labour markets. Responding to feminist critique, Esping-Andersen completed his analysis by concluding that a high degree of “defamilialisation” is a major characteristic of the “Social Democratic welfare regime”, as well. Both “decommodification” and “defamilialisation” implicate the empowerment of the individual by the state, be it against markets or against family.

In a still more programmatic way, the idea of a strong state promoting individualism appears in Trägårdh’s thesis on “statist individualism”. While Esping-Andersen focuses on the relationships between the state and market, Trägårdh’s point of departure is in discussion on the relationships between the state and civil society. In the 1980s and 1990s, Swedish right-wing critics of what they found as a patronising Social Democratic welfare state wished to create or revitalise an autonomous civil society. It was non-existent in Sweden, they claimed. Trägårdh agreed that the idea of a civil society confronting the state had not developed in the Nordic countries, yet he did not agree with the critique of the patronising state. On the contrary, the strong state, when developing into the welfare state, had oriented to securing individual autonomy and individual resources. Social solidarity was realised through high taxes, public systems of social security and vast public services for health, care and education that helped to liberate people from the personal relations of subordination, especially those in the family, and, as a part of efforts for full employment, made women doubly dependent on the welfare state, both on public sector jobs and the services that facilitated combining motherhood and employment outside the home. Social security became based on “the individual-state social contract”.

Neither Esping-Andersen nor Trägårdh can be criticised for reducing social policies to any inherent non-political agency of the state. In their works, the state is strong by virtue of its being a target, an arena and a tool of politics. Both of them talk about the “Social Democratic” welfare state, but they

see it – and also the “Social Democratic road to power” (Esping-Andersen 1985) – as an outcome of compromises between different class interests. In accordance with the long tradition of Nordic historical research and historically oriented social science, the class of freeholder peasants and farmers appears as an important political force in their interpretations on the origins of the Nordic welfare state.

However, both “decommodification” and “statist individualism” seem to bypass something important. The policies these concepts refer to have not just protected individuals from the imperatives and arbitrariness of markets nor just liberated them from subordinating social relationships in family and working life. “Politics against markets” actually promoted the development of labour market rationalities, not least by reinforcing workers’ position as parties in individual and collective contracts with employers. And getting rid of paternalist ties of social subordination did not mean that just the individuals and the state would have remained as the parties to the “social contract” as the thesis on “statist individualism” seems to argue. The individual as a party in social relationships has been a major concern in Nordic social and labour market policies. The transformation called “decommodification” could be, rather, conceived of as a process in which the normalcy of waged and salaried work was reinforced at the same time as it was adjusted with a universalistic principle of social citizenship.

In the post-World-War-II decades, the goal of *full employment*, with its different normative notions of work, came to be one of the ways in which the normalcy of wage work and the principle of social citizenship emerged in parallel and intertwined. The simultaneous reinforcement of these two principles also became characteristic of social policies. In the field of *social security*, the adjustment of the normalcy of wage work and social citizenship was associated with the ways in which social insurance policies contributed to the development and functioning of labour markets. Especially in pension policies, transportable social benefits, by diminishing workers’ dependence on single employers, strengthened their positions as sellers of their labour power. This was also promoted by the work-performance and income-related definitions of these benefits. True, work-performance and income-related benefits did not in any self-evident way fit to the universalistic idea of social citizenship (Edling 2006; Petersen & Åmark 2006). However, through the power of strong trade unions, a secured continuity of income actually became interpreted as a right associated with citizenship, or as an aspect of social citizenship.

The normalcy of wage work and the notion of social citizenship were also reinforced by the construction of extensive *public services*. These services, defining and meeting the needs of health, care and education, bore the character of universal social rights at the same time as they created

preconditions for the generalizing of wage work as the norm. A transformation of the gender division of labour was crucial here, associated with redefined relationships between family and society. A particular complex of welfare state, labour market regime and gender system was formed, one crucial aspect being the strong gender-segregation of Nordic labour markets (Borchorst & Siim 2008, 207-224).

However, still another way of combining wage work and social citizenship can be recognised in Nordic countries. It might be characterized as a Utopian vision of equality *within* the relationships between workers and employers. In terms of my argument here, this vision deserves an especial attention.

In his *Great Transformation*, Karl Polanyi concluded that the making of labour into a commodity was a necessary precondition of modern capitalism, yet labour was a “fictitious commodity” since labour, and the production, selling and consumption of labour, were inseparable from the life of wage workers themselves (Polanyi 2001 [1944], 71-80). Polanyi preceded Esping-Andersen in arguing that social policies and trade unions are forces for the removal of human labour “from the orbit of the market” (ibid. 186). They were, for him, forces of the historical counter-movement against markets for rescuing the society. However, one can ask whether social policies and trade unions, and notably in the Nordic countries, were actually oriented towards abolishing the character of labour as a commodity. Arguably, they were, rather, oriented towards abolishing the constraints and coercions stemming from the *fictitious* character of this commodity. Social and labour market policies, while creating non-market supportive institutions for preserving labour power when it is not traded in the labour market (cf. Offe 1984, 263), were liberating people’s life courses from the necessities of selling labour power at any conditions and, thus, making labour more like a *real* commodity.

In the Nordic countries, this kind of orientation towards the social citizenship of the sellers of labour power seems to have played an important role. It may not be accidental that the term “market” is in frequent use in the Nordic conceptualization of employment and working life issues. The communitarian concept of “social partners”, stemming from the tradition of social Catholicism and adopted in the language of the European Union and many international organisations such as the ILO and the OECD, has not become popular in the Nordic countries. For example, the Danish, Finnish and Swedish official translations of the constitutional Lisbon Treaty of the European Union talk about “labour market parties” instead of “social partners”. Stubbornly sticking to this concept also seems to be at odds with the first principle of the Philadelphia Declaration of 1944, annex to

the constitution of the ILO: “labour is not a commodity”.¹ The labour-market language in the Nordic countries is, however, certainly not a language of unregulated market or a language of market-based harmony, but a language of collective regulation and of recognised conflicts between divergent interests – “parties” instead of “partners”.

Symmetry between labour market parties

The idea of symmetry between labour market parties was as such far from exclusively Nordic. “The ideology of parity” (Bruun 1979) was adopted as a crucial point of departure for the development of European labour law in the 19th and 20th centuries. The social liberals as well as the Marxists of the late 19th century shared the idea that the labour market is a particular kind of market and labour was a particular commodity. Social liberals concluded that the worker was the weaker party in the individual worker-employer relationship and consequently needed protection. At the collective level, however, parity would be realized through organisation and collective agreements. In the 20th century, reformist trade unions widely adopted this mode of thought.

In the Nordic countries this mode of thought was modified by influential trade unions associated with reformist Socialist movements. As early as in the 1930s, Denmark, Sweden and Norway were at the top in the international statistics of unionisation. In Finland, the degree of unionisation was much lower. This reflected the heritage of the class-based Civil War of 1918 and the still predominantly rural and agrarian structure of Finnish society. Finnish employers, especially in manufacturing industries, were until World War II able to adhere to the policy of refusing collective agreements with trade unions. In Denmark, Sweden and Norway, the principle of collective agreements had much before the 1930s achieved a recognised status and practical significance. The so-called September Agreement of 1899 between the Danish peak organisations of workers and employers provided a model. Denmark the forerunner and Finland the latecomer appears also in that Denmark has been in the long run been the most consequent and Finland the least consequent as regards the “Nordic” principle that collective agreements are the primary and legislation only the secondary means of the social regulation of labour (Bruun 1990).

In the 1930s, trade unions and employer organisations, urged on by experiences of widespread and harsh industrial conflicts, were ready to further specify the rules of the game and to consolidate the

¹ Declaration concerning the aims and purposes of the International Labour Organisation (Declaration of Philadelphia). www.ilo.org/ilolex/english/constq.htm.

system of negotiations and agreements. This was manifested in the Norwegian *hovedavtal* (basic agreement) in 1935 and the Swedish Saltsjöbaden Agreement in 1938 between the peak organisations of trade unions and employer associations. In Finland the corresponding national-level basic agreements between the organised workers and employers were achieved in 1944 and 1946. The logics of these national agreements included that labour market parties reciprocally recognised the particular – and not the universal – and therefore legitimate nature of their interests. They committed themselves to taking into account through their mutual compromises the universal interest that was assigned to “society” and included objectives such as the prevention of damaging conflicts, the promotion of industrial efficiency, and the increase of purchasing power.²

Three principles came to be combined in the Nordic working-life institutions: the regulation of labour market conflicts through parity-based collective agreements; the direction rights of employers, associated with different arrangements of employee participation; and the joint acceptance of rationalisation in production and work processes (Kettunen 1998). This combination might be seen as an institutional reproduction and regulation of the tensions between three different rationalities which mediate between workers’ life-worlds and the systemic conditions of their living. Two rationalities are inherent in living by wage-work: that of *the seller of labour power* and that of *the subject of labour process* (Kern & Schumann 1984). The third significant rationality here is that of *citizenship*.

Obviously, it has been difficult to adjust the rationality of an equal *citizenship* into the context of wage-work relations and hierarchical work organisations. One can also argue that the system of collective bargaining, as it follows the logic of the selling and buying of labour power, including trade union strategies for limiting the competition between individual workers, tends to reduce qualitative issues of working life into issues concerning the price of labour power and the quantity of labour exploited. However, in the Nordic countries the symmetry of party relations came to include something more than just an idea of regulating labour market conflicts or an ideological disguise of the basic asymmetry of capital and labour (cf. Offe & Wiesenthal 1980). The widening of the symmetrical party relations became crucial for the Nordic model of working-life reform. It was a vision in which the compromises of conflicting labour market interests would include the promotion of both democracy and the co-operation between the groups fulfilling different functions in a company or in the society.

² This mode of thought was formulated, e.g. in a Swedish governmental committee report that paved the way for the Saltsjöbaden Agreement of 1938, by proposing that the labour market parties should “depoliticise” their mutual relationships in order to be able to realise, through their compromises, the interest of “society”. SOU 1935:65. *Betänkande om folkförsörjning och arbetsfred, Del I. Förslag*. Statens Offentliga Utredningar 1935:65, Stockholm, 129.

In the 1930s, collective agreements were included in the concept of democracy, especially, by the Nordic Social Democratic parties and trade union movements. The strong trade unions were supposed to extend democracy in two senses, both as a popular movement and as one of the two “labour market parties” making parity-based agreements.

Trade unions became oriented to extend the field of parity-based relations, that is, the range of issues to be included in collective agreements. This did not only strengthen the role of trade unions in industrial relations. A still more fundamental aspect was that business companies and somewhat later even the state and municipalities in their role as employers were defined and organised as a ‘party’ representing (no more than) particular interests, and they had to recognise this not only in the setting of wages but also in many other issues of working life and management. Collective and public regulation of labour relations would empower the weaker party (workers) to take care of their interests and constraining the stronger party (employers) from presenting their interests as universal. This idea appeared at the “macro” level of the national economy and society, but also at the “micro” level of the business economy and enterprise. One can find a more or less explicit distinction between “enterprise” and “employer” in which the general interest of the enterprise was not just identified with the action of management but rather conceived as an outcome of the parity-based agreements and negotiations between employees and employer with their particular interests (Kettunen 1998).

In this way, “industrial democracy” in the Nordic countries was strongly associated with the widening and deepening of the system of collective agreements and the associated work-place level system of shop stewards, rather than referring to separate parallel institutions of personnel participation such as the German works councils, *Betriebsräte* (Knudsen 1995; Kettunen 1998). With their considerable power to set the agenda on working life issues, trade unions began to draw management issues into the sphere of collective agreements. In the Nordic discourse on working life reform, especially in the Swedish and Norwegian debates in the 1960s and 1970s, we can recognise a politically effective Utopian idea according to which the collective-level parity between the labour market parties has to be extended and woven into individual employer-worker relationships (Winner 1995; Claussen 2000). It was a vision of an interest-oriented social citizenship *within* wage-work relationships, different from Marshall’s concept of social citizenship as an extension of citizenship through more extensive individual rights.

Divergent interests and virtuous circles

The interest-oriented form of social citizenship, based on the empowerment of the seller of labour power, was developed in the framework of a particular notion of national society. International dependencies provided preconditions for strong notions of national economy and national society. Europe's Northern peripheries integrated in the expanding capitalism in nationally varying ways, yet, in general, the Nordic countries developed into small relatively open economies that were, each country in its specific way, highly dependent on exports and exposed to the cycles and crises of world economy (Senghaas 1985; Katzenstein 1985). In connection with the Great Depression of the 1930s, class compromises brought new ingredients in the ways of conceiving society and economy. Reflecting class structures and conclusions from the economic crisis and the rise of Fascism in Europe, the Nordic class compromises of the 1930s included political coalitions of "workers and farmers", or Social Democrats and Agrarian Parties, and the consolidation of national systems of collective labour market negotiations and agreements (only the former applied to Finland before the Second World War).

The concept of "Nordic democracy" emerged in this political context, especially through the established Nordic cooperation of Social Democratic labour movements (Kurumäki & Strang 2010). In the historical references of this concept, various "sub-state" principles were actually put into the centre. The oldest reference of the Nordic democracy was to be found in the idealised figure of the free Nordic peasant and heritage of local rural self-government. This ideological element of the 'Nordic' was developed in the 19th century, partly by the rising popular movements, which, themselves, were later in the 20th century referred to as another aspect of a particular Nordic democracy. Still a further "sub-state" element is worth noting. The regulation of employment relations through parity-based negotiations and agreements of the voluntary organisations of workers and employers was, since the 1930s, widely included in the concept of Nordic democracy.

One may argue that the heritage of local self-government of independent peasants, the tradition of strong popular movements, and the institution of collective labour market agreements have contributed to the development of and been integrated in the strong state. Nevertheless, these integrative processes can also be conceived as a "societalisation" of the state (that indeed is often called 'society' in Nordic political languages). This included a wide acceptance of the idea that social solidarity is fulfilled through the public power (the state and municipalities) and high taxes, and the recognised and institutionalised role of interest representation in political processes (often called corporatism). The associated concepts of "Nordic democracy" and "Nordic society" also

included a widely shared confidence in virtuous circles between divergent interests, values and objectives, to be achieved by means of compromises between interest organisations and political parties.

Indeed, in conclusions drawn from the Great Depression of the 1930s, the notion of national economy began to be based on new ideas of cumulative economic success. Virtuous circles would connect the interests of worker-consumers and farmer-producers as well as of workers and employers. Confidence in the positive-sum-games was institutionalised in class compromises, which initiated the period of Social Democracy in the Scandinavian countries, especially in Sweden. The practical significance of the new employment and economic policies before World War II has been debated. On the level of political discourse, however, the new Scandinavian ideas of a virtuous circle indicated important changes in the 1930s.

The idea of virtuous circles should not be reduced to the vulgarised Keynesian description of the virtuous circle between growing consumption and growing production, with the emphasis on the side of demand. As early as in the 1930s there was considerable “productivistic” supply-side interest in the political orientation of the Scandinavian Social Democrats (Kulawik 2002; Andersson 2006). The promotion of social equality was held to be the means of releasing human productive capacities and, thus, the means of promoting economic effectiveness, which, in turn, was seen as a fundamental precondition for achieving social equality.

Any compromises reached between the conflicting interests remained a question of power, and the mutual recognition that the interests of different groups indeed were divergent was a central part of the Nordic class compromises. However, new forms of systemic integration also appeared. Thus, the labour movement adopted the view that economic competitiveness, and thus the rationalisation of production, was necessary in order to create resources for social welfare and equality. At the same time, bourgeois groups and employers admitted that the collective organisation of labour and the widening of workers’ social rights could bring economically positive outcomes, not least with respect to industrial peace. Somewhat paradoxically, the needs and interests of capital, or employers, were provided with a new moral and political legitimacy, and the needs and interests of the working class achieved a new national economic legitimacy.

The virtuous circle included something more than just positive-sum compromises between conflicting economic interests. It was also a virtuous circle between equality, efficiency and solidarity, which, in a sense, can be seen as being based on three different ideological strains of Nordic modernisation processes: the idealized heritage of the free peasant, the spirit of capitalism and the utopia of socialism. In terms of political objectives, and of future expectations, the virtuous

circle came to connect social equalisation, economic growth and widening democracy. Different ways of interpreting these objectives and expectations appeared, yet in the post-World-War-II period they came to play a hegemonic role in the sense that political conflicts tended to be struggles on the right way to represent and promote these objectives and expectations and to conceive the interconnectedness between them.

The trust in a virtuous circle between economic growth, widening democracy and increased equality was not, as such, a Nordic specificity in the post-war decades. During World War II, it had become a more or less explicit part of the so-called post-war planning in Western countries. At the international level, it was manifested, for example, in the Philadelphia Declaration of the ILO in 1944 that came to form a part of the constitution of the organisation. Among the main principles of the Declaration were the participation of workers' and employers' representatives in social policies, collective bargaining, full employment and the linkage between social equality, elimination of poverty and economic growth (Kettunen 2009). The post-war development in Scandinavia, especially in Sweden, was perceived not only by some Nordic citizens but also by many others outside the Nordic region as uniquely consistent steps along such a universally applicable road to progress. No doubt, in the Cold War world, more than one candidate for the universally applicable road existed. The notion of "the third way" or "the middle way", as it was associated with Sweden and sometimes with the whole *Norden*, included a particular claim of universality, expressed, for example, by maintaining that "freedom and welfare" was the principle of Nordic social political cooperation (Nelson 1953; Salvesen 1956).

The ambiguous Nordic model

The terms "Nordic society", "Nordic democracy", "Nordic welfare state" and "Nordic model" all refer to separate clusters of national institutions. There are significant differences between Denmark, Finland, Iceland, Norway and Sweden and important similarities with societies outside the Nordic region, in particular with the other small European countries to which terms like "democratic corporatism" (Katzenstein 1985) can be applied. Nevertheless, the differences between the Nordic countries and similarities with non-Nordic countries in no way preclude the existence of a Nordic context of many-layered ideological, practical and institutional linkages, in which national identities and institutions were shaped or of an inherent Nordic element within the diverging national identities and institutions (Kettunen 2006; Petersen 2006).

In the 1970s, it was easier than before – or later – to recognise common Nordic characteristics in national institutions, policies and future prospects. These included many work-related features:

- strong dominance of wage work/salaried work as a social form of work
- active policies for full employment: everyone should have the right to fulfill his or her moral duty to work
- high degree of female employment outside home: the central role of paid work in the views on gender equality
- two-fold dependence of women on the welfare state: social political preconditions for employment outside home; jobs in the labour market with a strong gender-segregation
- the principle of universalism (rights and benefits associated with citizenship) in the organising of welfare and education
- high rate of unionisation among the employees (men as well as women, blue-collar as well as white-collar workers, public as well as private sector employees)
- high rate of organisation among employers (and other interest groups), as well
- strong national hierarchical system of collective bargaining
- the priority of collective agreements to direct statutory norms in the regulation of working life;
- tripartite cooperation between employees and employers organisations and the government on issues of economic and social policies (“neo-corporatism”)
- thus a close connection between the formation of the welfare state and industrial relations.

The Nordic model was a pattern of constructing a modern nation-state society, in which institutions are based on waged and salaried work and support its expansion and normalcy, including the paid work of women outside the home. In the Nordic countries, waged and salaried work became the predominant social form of work even more overwhelmingly than elsewhere in the so-called developed countries. By European and OECD comparison, the Nordic countries belong to those with the lowest share of entrepreneurs in the economically active population (van Stel 2008, 79-82). The far from self-evident and certainly not tensionless combination of wage work and social citizenship became, in the process of the making of the welfare state, crucial for the Nordic notions of society and the ‘social’.

It is important to see that the Nordic model was not just existing institutions but, rather, a model of change and reform. It consisted of principles and practices that defined ways of dealing with social change and making reforms, that is, of setting the political agenda of the welfare state. The combination of the normalcy of wage work and the principle of social citizenship was reinforced in the post-World-War-II *Norden* through the policies of full employment, through the construction of social security systems and public services that came to manifest citizenship-based universalism at the same time as they followed and supported labour-market rationalities, and through the regulation of industrial relations by agreements between highly organised labour and capital, oriented towards a symmetry between the parties of employment relationships. These policies and processes were shaped within the framework of a widely shared confidence in virtuous circles that could be achieved through interest compromises in a national society. However, already before the end of the expansive phase of the welfare state by the early 1990s, this kind of agenda setting lost some of its future-oriented power.

Since the 1980s, crucial aspects of the notion of national society that were associated with the vision of expanding welfare state and collective party relations in labour market have been severely challenged in the Nordic countries and elsewhere. The transformations called globalisation have meant increasing social asymmetries concerning the role of spatial ties. The opportunities enjoyed by different actors to choose between alternative forms of relating themselves to their environment – between the three options of what Albert O. Hirschman (1970) called *exit*, *voice* and *loyalty* – have been increasingly differentiated. The exit option is in a new way available to transnational economic actors and, as a structural mode of exerting influence in national contexts, it tends to make obsolete the previous national forms of using voice and loosen the previous loyalties to national rules of game. Solidarity through shared national links has become more problematic, and any “concrete utopia” (Bloch 1959) based on an idea of parity between labour and capital within a national society seems to be dissolved.

The project for extending widening symmetrical party relations lost its political momentum. The premises for the “Nordic” image of symmetry between labour market parties have been weakened by a variety of developments: the multi- and transnational character of companies in the global economy, including their dependencies on calculations in global finance markets; the constant restructuring of production processes in accordance with the network principle, including varying forms of outsourcing and sub-contracting; the corresponding transformations in the public sector in the spirit of New Public Management, including the blurring of boundaries between public and private, obligatory and voluntary, and official and unofficial; the increase in so-called “atypical”

(short-time and part-time) employment relationships; and the growing practical and ideological fluidity of the boundary between wage work and entrepreneurship.

For their part, the management lessons and practices aiming to promote both flexibility and commitment in work organisations blur the difference between wage work and entrepreneurship. This implies, among other things, that the idea of the worker as the weaker part of worker-employer relationship tends to be pushed to the margin through the ethos of entrepreneurship at the same time as, on the other hand, the asymmetry between capital and labour has increased due to the dramatic growth of the mobility of financial capital. In any case, it has become ever more difficult to identify, organise, bring together and centralize the “labour market parties” within a national society.

A crucial part of the Nordic model used to be the widening of the scope of issues in which business companies as well as public-sector organisations had to recognise the *particular* instead of the universal character of their employer interests. In this respect, the direction changed in the 1980s. A company-level and work-place-level sign of this change is that “industrial relations”, that is, the institution of collective negotiation and agreement based on interest conflicts and compromises, were in various ways subordinated to the company-interest aims of “human resource management” (Looise & van Riendijk 2001). On the national level, the same change is reflected, for example, in the fact that in many European countries, including the Nordic countries, separate employer organisations have been abolished and the representation of companies’ employer interests has been integrated as just one part in the business interest organisations that articulate business interests in relation to many different “stakeholders”, including trade unions. The idea of representing the *universal* interest of the “economy” in relation to the particular and biased interests of workers and governments is evident in the statements of business interest organisations.

However, the Nordic countries are still at the top of international statistics of trade union membership, and no drastic decline has occurred. Majority of waged and salaried works are union members in the Nordic countries, and in this sense the picture is different from the general trends in Western countries. In connection with the rise of neo-liberalism in the 1980s, arguments for radical social-political deregulation emerged. However, they seem later to have been pushed into the margin, and among ordinary people in the Nordic countries the welfare state is highly popular. No political party can currently expect to gain large electoral support by opposing the welfare state. Nevertheless, the ways of discussing and contextualising the welfare state have changed, and discursive changes have been associated with institutional ones.

In Nordic debates on the future of the welfare state and collective agreements, interesting paradoxes appear. Practitioners and researchers of social policy tend to make pessimistic accounts on the

present and the future of the welfare state. They have paid attention to the erosion of the so-called universalism in connection with the projects of knowledge-based competitive society or with the ideas of “workfare” in activation and immigration policies (e.g. Kuivalainen & Niemelä 2010; Blomberg & Kildal ed. 2010). At the same time, representatives of business life and many economists have expressed optimistic views on the crucial role of the Nordic model of societal risk sharing for economic performance and competitiveness (e.g. Andersen et al. 2007). A slightly different paradoxical turnaround of positions can be found if we look at the arguments for the defence of the welfare state and the arguments for the significance of economic competitiveness. Those defending the welfare state and the system of collective agreements against the pressures of globalised capitalism are arguing that the welfare state actually generates competitive advantages, whereas those concerned about economic competitiveness or government budget discipline motivate these concerns by the necessity to create or rescue resources for the welfare state.

An interesting ambiguity also appears in the current usage of the concept of “model”. It may refer to a structure that has become threatened through globalisation, or it may refer to a way of responding to the challenge. The former meaning is obvious in the discussion on the threats against the “Nordic welfare-state model”. The latter, in turn, is manifested in the – currently somewhat receded – praising of “the Danish model” of “flexicurity” (Madsen 2004), or “the Finnish model” as a paragon of consensual competitiveness in a new knowledge-based society (Castells & Himanen 2002), or “the Nordic model” in general, assessed to be capable of embracing globalisation by means of risk sharing (Andersen et al 2007). The ambiguity of the concept of model indicates the changing role of the nation state, which can be characterised by the concepts of “welfare state” and “competition state” (Cerny 1990; Streeck 1998; Palan & Abbot 1999). One may not talk about a shift from the welfare state to a competition state but, rather, conclude that an ambiguity of the welfare state and the competition state is characteristic of what is currently called “the Nordic model”.

Institutional continuity and the ideology of competitive consensus

The change may take place within a remarkable institutional continuity, through an “institutional conversion” (Thelen 2003). Old institutions of the welfare state and industrial relations can be and have been modified to serve new functions of the competitive community.

The distinction between *compromise* and *consensus*, elaborated by the Dutch historian Frank Ankersmit (2002, 193-213), seems useful for interpreting this change. Compromise is based on the mutual recognition of the particular instead of the universal nature of the interests in question, and

the political process does not aim to remove this state of affairs. Consensus, in turn, presupposes a commitment to a common interest defined beforehand, and in the political process only those aspects of the particular interests of the participants are recognised which bear elements of the given common interest. In nation-state societies, the decisions that are not just made by the coercive power of the strongest forces often include elements of both consensus and compromise, and in conflicts, both these ideals may be recognised. The relationship between these two principles, however, varies and changes.

The making of the Nordic welfare states and industrial relations systems included the strengthening and institutionalisation of compromises between divergent particular interests, and this was legitimised by the confidence in the virtuous circle of social equality, economic growth and widening democracy. The logics of the competition state – the imperatives of making the national society competitive in globalised economic competition between different business environments – reinforces consensus and weakens compromise. Consensus as an ideal may exclude the interests and ideas of the actors who do not wish to commit themselves to the common interest. Further, national competitiveness being put into the centre of this ideal also means that the interests and needs that cannot be associated with the project of competitive community tend to be ignored. One must admit that in Nordic political debates and practices, a vast range of social and educational policy objectives are proved to be compatible with national competitiveness and included in the competitiveness-oriented consensus. Yet legitimate interests and needs tend to be redefined when welfare policies are motivated by their compatibility with the consensual project of competitive national community.

Concerning working life, collective interest representation and even high social norms are considered not only as “rigidities”, but rather widely, as competitive advantages, as factors promoting the commitment of workers and the innovativeness of firms and their managements. The neo-Schumpeterian emphasis on innovation and the institutional preconditions of innovation has been easily adopted in this context. Such tones have appeared particularly in the discussion on education and training. Much of the ideological power of knowledge, education and innovation in the Nordic countries stems from the promise that competitiveness and its preconditions in the global economy can – or even must – be seen from a wider perspective than that of neo-liberalist deregulation.

In the shaping of the social policies of European Union (EU), it has been easy for those coming from the Nordic countries to develop and support the principle of “social policy as a productive factor”. This slogan was introduced in the EU debates in the late 1990s (Beck et al 2001) and

confirmed in connection with the so-called Lisbon Strategy of the EU, 2000-2010, aimed at making Europe by 2010 “the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion”. The Social Policy Agenda 2000-2005, implementing the Lisbon Strategy, advocated a virtuous circle between social policy, economic policy and employment policy and was aimed “to reinforce social policy as a productive factor”. This argument includes an economisation of social policy in two different senses: as an argument for the recognition of the economic importance of social policy but also as an argument for reforming social policy in a way that it could meet the demand of being a productive factor in global competition. Be it implicitly or explicitly, the argument means that the role and meaning of equality is redefined, something that also some social policy researchers have since the 1990s argued for: “the maximization of human capital must take priority to egalitarianism ‘here and now’” (Esping-Andersen 1996, 264).

It makes a difference whether or not an individual’s opportunities to make her or himself competitive are shaped by more or less egalitarian systems of education and training, and it also makes a difference whether or not the encouragement of knowledge-based competition in working life is connected with collective institutions of social regulation. Nevertheless, a tension appears in Nordic discussions between what are presented as institutional *preconditions* of competitiveness and how the *contents* of competitiveness are conceived. At the same time as egalitarian institutions and participatory practices can be defended as preconditions for knowledge-based competitiveness, true membership in a competitive community is a matter of individual competitiveness. This consists of communicative and innovative skills and talents and reflexive capabilities of monitoring oneself from the point of view of competitiveness. In the orientation towards these objectives, the principles of social equality and collective interests hardly play any role.

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