

Has the Nordic Welfare Model Been Transformed?

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Abstract

The Nordic welfare model is undergoing a fundamental transformation. Using Denmark we show how a universal welfare state model is gradually being transformed into an emergent multi-tiered welfare state. Whereas the Danish pension system's having become multi-tiered in the 1990s, with private schemes – collective and individual – supplementing public schemes is well documented, scant attention has focused on more recent developments in other areas of the welfare state. This article shows how the multi-tiered welfare state spread in the 2000s to policies for families, the unemployed and the sick. Although Denmark still offers universal coverage in core welfare state areas, the increased use of occupational and fiscal welfare as well as changes in public schemes has gradually transformed the nation into a multi-tiered welfare state that is more dualistic and individualistic, with participation in the labour market becoming still more important for entitlement to benefits. These profound changes have taken place in such a way that although core characteristics are still in place, new structures and understandings of the welfare state are also developing. Thus classical typologies need revision, so that they include more focus on this combination of universality and institutional attachment to the labour market. Moreover, measures of what welfare comprises should include not only public but also private elements.

Keywords

Universal welfare state; Nordic model; Denmark; Occupational and fiscal welfare; Dualism

Introduction

The Nordic model is under siege. Ageing populations, immigration, globalisation and, most recently, financial and debt crisis are often framed as pressures that jeopardise the economic sustainability of the Nordic welfare model. Even disregarding these pressures, many Nordic politicians find the model ripe for change. This article examines how recent policy developments call into question whether the Nordic welfare model can maintain its emphasis on equality (including equal access to the labour market for men and for women), generous and universal cash benefits, and comprehensive and high quality

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services (Greve 2007a; Kvist 1999). Do the Nordic countries continue to qualify as having Social Democratic welfare models rather than Liberal or Conservative welfare models (Esping-Andersen 1999)?

Existing comparative and historical studies on the Nordic countries may underestimate the scope of recent change. Comparative studies typically use macro-indicators, finding that the Nordic countries continue to be relatively stable in spending on social policy and with a relatively high degree of equality vis-à-vis other countries (e.g. Castles 2004). Historical studies appreciate the complexity of change, but tend to overlook the profound changes in recent years (but see Christiansen *et al.* 2006). Comparative analysis also looks mainly at direct public intervention while overlooking fiscal and occupational welfare (but see, respectively, Kvist and Sinfield 1996; and Greve 2007b). Assessments within any one policy risk underestimating the scope of change if this also takes place in other policies. In short, what is missing for the Nordic countries are broad investigations of contemporary changes, especially including those incremental changes that may gradually diminish the core in the traditional understanding of the Nordic welfare model. As Mahoney and Thelen (2010) argue, institutional change is often brought about by incremental changes.

Fortunately, the value of such studies has been shown for the other two dominant welfare models. In a study of the USA as representing the Liberal welfare model, Hacker (2004) demonstrates how the US welfare system has become more privatised not so much through direct reforms such as eliminating public policies or replacing them with private ones, but rather by a gradual transformation of policy resulting from changing circumstances ('drift'), internal adaptation of existing policies ('conversion') and the creation of new policies without eliminating the old ones ('layering'). Most recently, Palier and his colleagues revealed how waves of reforms of the Bismarckian model (a nickname for the Conservative welfare model) led in the 1990s and 2000s to a shrinking of social insurance that, in turn, resulted in 'multiple dualisms'. The first dualisation is made by a private component added to the public system for insiders and the second dualisation is made within the public system with an even sharper distinction between insiders and outsiders (Palier 2010).

This article contributes to such investigations by focusing on the Nordic welfare model. We study one country, Denmark, in the 2000s. The 2000s witnessed a polarisation with more people getting rich, more people getting poor and fewer people getting middle incomes (Juul 2010). Whereas changes of inequality can be explained by both policy changes in tax and social policies as well as non-policy changes in the value of, especially, houses and stocks, this article looks only at the former. We investigate policy developments in four areas central to a Nordic welfare regime. Our analysis concludes that the multitude of small changes found across these areas over the ten-year period, when added up and seen together, challenge the notion of the Nordic welfare policies as characterised by equality as the main value inherent in outcomes and policies. What is more, as policy changes unfold they are likely to contribute to further inequality. Some changes – e.g. in the pension system – have a clear impact on future generations.

The article proceeds as follows. In the next section, we describe the method and data of the study. Then follows the analytical section. The analysis of child and family policies finds gradual erosion of benefits and, most recently, cuts in the form of benefit ceilings and lower benefit levels that disproportionately affect families with many children. The analysis of policies for the unemployed indicates a movement towards a more narrow understanding of flexicurity towards emphasizing a 'work first' approach over the upgrading of skills, a gradual erosion of benefits and the emergence of a two-track minimum income system. The analysis of pension policies shows a clear movement towards a multi-tiered system in which, universality notwithstanding, occupational welfare combined with the use of fiscal welfare has become increasingly important, making participation in the labour market of outmost importance. The analysis of policies for the ill points out that the widespread existence of sickness benefits through collective agreements has recently been paralleled by a massive growth in private health care insurance schemes stimulated by favourable taxation. The subsequent discussion compares patterns of development across the policy areas. The concluding section assesses the importance of findings on our understanding of the ongoing transformation of the Nordic welfare model.

Theory, Data and Method

The literature on the Nordic welfare model identifies a number of constitutive elements. These include comprehensive state responsibility, universal coverage, individualism, high employment, equality of opportunities and results, high quality (public) services, high generosity, a decentralised organisation, strong social partners, a tradition of social dialogue, and some corporatism (Kvist 1999; Greve 2007a). Theoretically, we use this understanding of the Nordic welfare state as a reference point for the analysis. By looking at policy changes and their impact on the welfare state, we use the model as a proxy for the direction of change. The article is thus in line with the social policy tradition of combining institutional changes with how they influence the existing understanding of the model.

Our framework is also inspired by Richard M. Titmuss' social divisions of welfare. In short, public welfare, fiscal welfare and occupational welfare are three distinct routes that provide welfare that are more often than not associated with different equality outcomes (Titmuss 1958; Sinfield 1978). Often, the routes work in tandem, for example when taxes privilege occupational schemes. Normally, we label state welfare and fiscal welfare as public schemes and occupational welfare as private schemes. In the category of private schemes we also find individual schemes. In reality, however, the distinction between the public and private schemes is blurred. Private schemes are regulated and often enjoy favourable (public) tax treatment, for example, most occupational schemes, as compared to other income. The interaction effects between fiscal and occupational welfare have distributional consequences, what Titmuss (1958) aptly named 'the concealed multipliers of occupational success'. Our contention is that shifts in the particular mix of public and

private schemes have distributional consequences that may be more or less in accordance with the characteristics of the Nordic welfare model as just described.

Because most studies specifically examine one feature or policy area, they give only a partial picture of the transformation across these many distinct elements that together form the Nordic welfare model. In part, an inherent trade-off exists between the number of aspects and the number of cases that a study can cover. To get a fuller picture, we analyse policy change in four areas central to the Nordic welfare model: policies for families, the unemployed, the elderly, and the sick.

We examine Denmark, which in the 1990s was seen as the pioneer of the Nordic model, especially given its successful and internationally recognised kick-start of the economy and labour market reforms. Denmark thus gradually took over from Sweden (which suffered a severe economic crisis in the early 1990s) the role of being *the* representative of the Nordic welfare model.

Danish policy developments in the 2000s are also important for comparative research for political reasons. In 2001, the Social Democratic-led coalition government that had ruled since 1993 gave way to a right-wing coalition government of Liberals and Conservatives. They have ruled with the loyal support of the Danish People's Party, and their policies shed light on how the Nordic welfare model may develop in the other Nordic countries as parties with more focus on migration and nationalistic policies become more powerful. Whilst the Danish People's Party is an anti-immigration party, it also has a social profile that is reminiscent of old style Social Democratic thinking. Throughout the 2000s the party pressed for social policy reforms disfavouring immigrants, while at the same time trying to preserve or improve the social rights of other groups, especially elderly and vulnerable groups.

One of the advantages of a single case study is that data is not constrained to the available comparative data, which can be partial or even misleading. The study uses national institutional data and statistics on public and private schemes that is not yet available in comparative data sets. Furthermore, using the time since 2000 enables both in-depth investigations and an understanding of how many small changes might suggest larger, more fundamental changes in the model.

The value of the method used here depends not only on the availability of data but also on the understanding of institutional change. The focus is on whether mainly institutional changes have had an impact on universalism and on equality. In particular, we are interested in change that through the establishment of more tiers in the welfare system leads to a more differential treatment of groups. Are public schemes divided into two or more tiers by introducing new schemes or introducing elements in the existing schemes that leads to a de facto differential treatment of groups who are otherwise in the same category of families, unemployed, elderly or sick? Are new or old private schemes promoted through the tax system, more choice between providers or a hollowing out of the quality or scope of public schemes?

Developments in the Danish Welfare Model

This section examines core areas of the Danish model to depict deviation from the Nordic welfare model. We pay attention to changes in both public and private schemes that contribute to a differential treatment of people. In each subsection we, first, describe the conventional understanding of the Nordic welfare model in the given policy area, second, analyse developments of public services and social security schemes, and, third, perform a similar analysis for the private schemes.

Policies for families with children

The Nordic welfare model combines universal child care with generous leave schemes and family allowances that enable parents to reconcile work and family life thus boosting female labour supply and, arguably, investing in the social and cognitive skills of children (Esping-Andersen 2009). Compared to other countries the Nordic welfare states early developed family policies with an emphasis on high quality day care at an affordable price and relatively high benefit levels (Abrahamson *et al.* 2005).

In the 2000s, Denmark maintained a high coverage rate around 90 per cent for children aged one to six years in day care. User fees have been set at maximum 25 per cent of costs with even smaller fees for low income families. However, user fees have increased in recent years, mostly in line with cost developments, and in 2010 municipalities could charge 30 per cent of costs, if the child care institution served lunch meals. Hence, the costs of having children in day care have risen in recent years.

Private and public child care institutions do not differ significantly. They are regulated by the same laws and receive the same subsidies. Free choice between public and private providers and between institutions in and between municipalities has been expanded. Perhaps because there is maximum on user fees that is set by municipalities and not by institutions, Denmark has yet to experience the emergence of large numbers of private day care. That being said, this may change, as the possibility of charging a supplementary payment for specific activities now is possible.

Family benefits have, in general, been generous and until recently not subject to any direct cuts. However, the value of benefits has gradually been reduced due to the way indexation takes place, which implies a slight reduction compared to consumer prices of approximately 0.3 per cent per year. The lack of full indexation also goes for social assistance, unemployment and sickness benefits and pension. Not fully indexing benefits is the text book example of drift, i.e. erosion of benefit with no active decisions being made.

For the first time since the 1970s benefits were cut in 2010. The government and the Danish People's Party decided in June 2010 on an austerity package that cut benefits for families. Family benefits are reduced with 5 per cent phased in from 2010 to 2013. A new benefit ceiling of DKK 35,000 annually has also been put in place. The combined loss of income caused by the benefit ceiling and benefit cuts cannot exceed DKK 12,000 per year until 2013, after which the permissible amount of loss increases by DKK 3,000 each year to

expire completely in 2020. In short, families with many children will receive less and less child family benefits in the coming years.

As a result of these cuts, there will be 6,000 more people living in risk of poverty, as defined by having under 50 per cent of the median income (AE 2010). Most of these people live in areas with high concentrations of ethnic minorities (AE 2010).

There are few signs of a dualisation at the other end of the income scale through new or expanded private schemes. Collective agreement has for many years given most employees the right to take a day off in connection with the illness of a child. Collective agreements during the 2000s doubled this period to paid leave for the first two days of the child's sickness. Also, collective agreements for the majority of the labour force introduced care days where employees can take up to four days off for caring for children, the elderly or for other such activities. Because employment–population rates are relatively high, the expanded social rights in collective agreements may not constitute an elitist dualisation trend but rather a broad one between people in and out of work.

Policies for the unemployed

Active labour market policies were historically aimed at ensuring full employment and equal access to the labour market for both men and women. The unemployed had relative easy access to generous benefits, either unemployment insurance or social assistance. Private individual unemployment insurance virtually did not exist. In the 1990s the two systems of, respectively, benefits for unemployed and active labour market programmes got linked under the label 'activation' and, since then, benefits have become conditional on taking part in activation programmes. Together with a kick-start of the economy in 1993, activation is often said to account for the reduction of unemployment in the 1990s.

Emphasis on activation continued in the 2000s with a shift from 'empowering' and 'human capital investment' to 'make work pay' and a 'work first' approach. The government wanted to evade the possible lock-in effects that, according to some effect evaluations, were associated with educational programmes, especially in the short-term. The 2003 labour market reform 'More in work' distinguished three programmes: guidance and qualification, internships in private or public companies and employment with a wage subsidy to the employer. Making work pay was further sought by lower benefit levels for young people on social assistance and by introducing a new less generous benefit for people coming to the country who would previously have been entitled to social assistance.

Another significant change is the establishment of a two-track system for claimants on minimum income schemes, one track for 'natives' and one for de facto 'non-natives'. This has been made possible by changes to the general social assistance scheme and by the introduction of a new benefit. Social assistance now includes the criterion that each partner in a couple must work at least 450 hours over a two-year period to remain entitled to benefits. If both or one partner cannot satisfy this work demand, then the couple will only

receive one social assistance benefit. The work demand obviously affects households where housewifery is more prevalent. Social assistance also got a benefit ceiling, which tends to reduce the level of benefits for families with many children. The new benefit, Start help, pays considerably lower benefits than the ordinary social assistance scheme to people coming to Denmark for the first seven years of their stay. All these changes were said to increase work incentives and do not discriminate on the basis of nationality, but they all disproportionately affect certain groups of ethnic minorities.

The size of unemployment insurance benefits has not been cut since the early eighties. Over the last two decades, however, their value eroded. The indexation mechanism described earlier led to smaller increases than a full wage indexation. The unemployed also lost out to those in work when a specific tax-allowance for working people was introduced in 2004. The most important change was a halving of the benefit period. The maximum benefit period was shortened from four to two years as part of the austerity package of June 2010 between the government and the Danish People's Party.

Private unemployment insurance was almost non-existent in the 1990s. Generosity of social assistance and unemployment insurance was high mainly for low income groups, as replacement rates for middle and high income groups were markedly lower than the formula of 90 per cent of previous earnings indicates due to a low benefit ceiling. However, because unemployment was concentrated among low income groups, the low replacement rates for middle and high income groups did not result in pressure for higher benefits or alternative private schemes in the 1990s.

Individual private unemployment insurance is now increasing. Following its introduction in 2002 there was a steep increase of insured, peaking at 82,218 people in 2006 (Forsikring & Pension 2010). This was followed by a drop to 70,175 people in 2008 and a boost to 94,504 people being insured in December 2009, due to the financial crisis. Coverage rates varied from around four per cent of the total labour force to five per cent to date. In other words, the share of privately insured individuals is still small, but may grow as other public benefits are eroded due to the lack of full indexation or if adverse economy developments lead to more middle and high income group people becoming unemployed.

Policies for the ill

Albeit organised differently, sick employees in all the Nordic countries receive sickness benefits that replace a proportion of their wages, with many receiving full wage replacement. When in need of treatment, people have access to a public health system where the extent and amount of user fees vary across countries and areas within health. Whereas differences may prevail when comparing Nordic countries, their similarities become apparent when comparing them with other countries' health care systems: their mainly tax-financed health care policies provide universal and egalitarian health services.

The Danish Health Act stipulates that the health care system is based on the principle of easy and equal access for all citizens. Recent years have seen a change in the wording from free and equal to easy and equal access. This

core principle in the Health Act is further challenged by policy reforms over the last decade, in particular by the shift in governance focusing on guaranteed access within a short time-span and also for planned types of operations, increased free choice among providers stimulated through the tax system, and generous subsidy schemes for private providers. As a consequence, expenditure has risen over the last few years, and an increasing share of patients has been provided for by private hospitals, mainly paid by public means, i.e. regional authorities. An investigation by the Audit of the State Accounts found that private providers were paid too much (Audit of the State Accounts 2009). They do not specify how changes may be made, but indicate that the price regional authorities pay for treatment in private hospitals should be reduced.

Private health insurance has increased dramatically. Actually, there are various types of private health insurance, the most general one is 'Danmark' which is a non-profit firm owned by its members that pays out subsidies for medicines and specialist treatment. Today there are about 2 million members of 'Danmark' amounting to nearly 40 per cent of the Danish population of 5.5 million people. However, the most notable development has been in private health insurance run by private for-profit companies. In 2002, private health insurance became a non-taxed fringe benefit. As a result more than 1 million people were covered in 2008 compared to 50,000 in 2002 (Ministry of Health and Prevention 2010). Companies finance 90 per cent of the policies, with the insured having privileged access to physiotherapy and psychotherapy as well as to operations linked to physical movement. Policyholders can skip the waiting list for public treatment and go directly to a private specialist for treatment.

The rise in private health insurance questions the main principle of health care of easy and equal access to health services. Those covered by these private health insurances are, broadly speaking, mainly working in the private sector and, due to the segregated labour market, this implies that men to a higher degree than women are covered, and that high income earners have better options than low income earners (Kjellberg *et al.* 2010). Fiscal and occupational welfare have thus been used as instruments to depart from the Nordic welfare model. How important this break is can be questioned, given that in most areas private production of health care is still only of limited importance (Audit of the State Accounts 2009; Economic Council 2009).

Inequalities in health policies can be found in the use of both public and private delivery of health services. For example, the Economic Council has studied how the probability of using the extended free choice depends on personal and other characteristics. Most generally, the probability decreases with age, especially with people over the age of 75, who do not make use of the extended choice probably because they feel more secure in a public hospital and because they have more complex diagnoses that can only be treated in public hospitals (Economic Council 2009).

Also the Economic Council found that the probability of making use of the extended free choice between hospitals increases for people in employment, of Danish origins, with an education, and a high income (Economic Council 2009). This may, in part, be explained by the fact that these groups face higher costs in terms of lost income caused by waiting times for treatment in public

hospitals. Single people and those without children are also less likely to choose treatment in a private hospital, perhaps because people making use of the extended choice are more dependent on relatives helping them out in various ways than in the public sector where follow up is more institutionalized. More generally, lack of information and inability to process complex information may help explain inequalities in the take up of health policies. Increased choice thus risks increasing inequality (Greve 2009).

Policies for the old

The Nordic welfare model for the elderly is characterised by accessible, good quality social services and universal, generous pensions. However, both services and cash benefits are organised differently in the Nordic countries. The pension systems have two goals: the first is to provide a minimum income to raise elderly people out of poverty in old age and to live a life that is normally accepted, especially for those on basic pensions. The second goal is that pensions must ensure a certain degree of income compensation.

In Denmark, these goals are met by what can now be seen as a clear and distinct three-pillar pension system (Petersen 1995; Kvist 1997; Green-Pedersen 2007). The national old age pension is thus no longer the sole provision of economic security for the elderly. Occupational-based labour market pensions (enacted on a large scale by the labour market partners in the late eighties and early nineties) are important to achieve a decent standard of living. The increase of occupational pensions implies that the pressure on the public purse due to the demographic change is reduced. Occupational pensions will, in most cases, reduce how much retired people receive in national old age pension, although all will get the basic amount. In this sense, the universal all-encompassing pension system remains universal for those without any further means, but at the same time the real value of the pension has been slightly eroded in the last few years as it is not linked to consumer price. However, at the same time a special income allowance to the elderly has almost implied that pensioners have not been those hardest hit by the economic crisis.

The value of the national old age pension has been gradually eroded by the lack of full indexation described earlier. At the same time, the Labour Market Supplementary pension (ATP) has expanded in scope to cover people on early retirement pension and social assistance, i.e. coverage for those at the margins of the labour market. For the insiders on the labour market, collective agreements kept their relative high contribution rates to funded schemes, and in some sectors even increased implying an even stronger role for occupational welfare. Individual private saving for old age became less tax privileged when a ceiling on tax-deductible contributions of DKK 100,000 annually was introduced as part of the austerity package in June 2009.

The age of retirement will increase in the future. As part of the Welfare Agreement in 2006, the retirement age for the national old age pension will gradually be raised by two years, i.e. half a year in 2019, 2020, 2021 and 2022, making it 67 years of age in 2022. Also, as part of the Welfare Agreement, a demographic adjustment of the retirement age was introduced so that increases in longevity in part translate into a longer working life and do not

exclusively contribute to a longer time in retirement. Thus, from 2025, increases in longevity will result in higher retirement ages aimed at keeping the period in retirement at 19.5 years as it was in 1995. Again, the push towards later retirement tends to favour the privileged.

The tax-deductible contributions to supplementary schemes grew by DKK 3.4 billion from 2007 to 2008 and to a total of DKK 116.3 billion. Contributions to labour market pensions grew by DKK 6.5 billion and to individual schemes fell by DKK 4 billion. Nearly all contributions to labour market contributions are set by collective agreements, whereas they are voluntary in individual schemes. In light of wage development and the financial crisis straining some household budgets, the diverse development is not surprising.

The shift towards a pension system with more private pensions that are based on labour market participation obviously favours those with high and stable income over those with smaller and unstable incomes. Overall, women in Denmark have more or less the same participation as men, but not in their fertile years due to maternity leave and disproportionate take up of other leave schemes. The labour market is highly gender segregated with more women working in the public sector, especially in health, social and education areas.

Women also live longer than men. Hence, in private pension schemes, fully actuarial pensions would therefore result in women either enjoying lower benefit than men or women would have to pay higher contributions than men to ensure there is no difference to the level of benefits. To counter such practice in the ATP scheme, a parliamentary majority decided in 1998 to adopt a unisex principle which determines that men and women are covered by the ATP in the same way independently of their gender. As a result, there is a significant redistribution of income from men to women (ATP 2010), confirmation of a willingness to ensure gender equality in the Danish model.

Pension inequalities exist between pensioners depending on whether they are single or a couple. The average income for single and cohabiting pensioners is the same, i.e. DKK 184,500 annually (ATP 2009). However, the composition differs, with single people having larger public pensions and couples having larger private pensions. Because living costs are higher for single people, they have less available for consumption.

Pension inequalities also have an ethnicity dimension. Because people with a minority background, especially people from non-Western countries, save less than native Danes, they will receive less in pensions when they retire. At the moment, only 1.5 per cent of pensioners are immigrants from non-Western countries, equating to 14,000 people. In 2050, an estimated 7 per cent of pensioners will be immigrants from non-Western countries, equating to more than 100,000 people. They will, to a large extent, be dependant on means-tested benefits like the pension supplement, housing benefits and personal allowances.

Discussion

Has the Nordic welfare model transformed fundamentally? The answer to that question is 'not yet', because developments in Denmark show this is not the case. Denmark is the Nordic country where the expansion of private

Table 1

A qualitative assessment of the importance of tiers across policy areas in Denmark, 2010

Tier/policy area	Child families	Unemployed	Ill	Old
Private individual	+	+	++	+++
Private collective	+	+++	+++	+++
Public universal	+++	+	+++	+++
Public selective	+	++	-	+

Notes:

+ = limited multitier.

+++ = high degree of multi-tiered system.

The qualitative assessment is based upon the author's evaluation in the preceding sections.

supplementary schemes and the establishment of two tracks within the public schemes for, respectively, in- and outsider, have gone furthest, and it is safe to say that the transformation of the Nordic model is still a 'work in progress'. At this early stage of the transformations the emergence of new tiers has not crowded out the public universal tier.

There are big differences in the extent to which a multi-tiered system has come into play in the various policy areas. Table 1 shows that the most fully-fledged multi-tier system is for pensions for the elderly. This comes as no surprise because the 'revolution' of the Danish pension system started a decade earlier than in the other areas. The least fully-fledged multi-tier system is for families with children. Here the emergence of a multi-tiered system primarily reduces cash benefits for families with many children and potentially lowers the quality of care by freezing budgets. The remaining two areas, however, have seen marked developments towards a multi-tiered system over the last decade, but they operate at different ends of the system. Policies for the unemployed now have a clear two-track character in the public schemes concerning minimum incomes. Policies for the ill are also moving towards a two-track system, but here with the addition of private collective schemes of health care insurance on top of the public universal health care services.

There is no welfare policy area in which there is not a development towards a more multi-tiered system.

Is there evidence against the emergence of a more multi-tiered system? Although social expenditure is the most commonly used evidence, aggregate measures such as the share of social expenditures in the gross domestic product result from not only policy design but also other factors, such as need and economic developments. When an economy goes awry, the numerator (social expenditure) grows as more people become dependent on social benefits, and the denominator (gross domestic product) declines or even shrinks. Thus the size of social expenditure in the gross domestic product increases. In conventional comparative studies this rise is a sign of 'more welfare'. By contrast, single case studies avoid such fallacies, because they can draw on finer institutional data, as well as on tax expenditures that may be available

only for the country in question. In this study, our use of institutional data results in more nuanced findings than usually found in studies using crude proxies.

Looking at developments in the number of people either claiming benefits or working in a given area is another way of assessing welfare reforms. This approach is rarely used in comparative studies due to lack of reliable comparative time-series data. As shown, the marked rise of people with private health and unemployment insurance signals a transformation of the Nordic welfare model.

Moreover, most areas – with pension as a central exception – have seen a reduction in the generosity of benefits. However, at the same time the Danish system largely ensures low-income earners high coverage. In certain areas (sickness and maternity benefits), such high coverage is also ensured by agreements among the labour market partners.

The increased emphasis on free choice is also a challenge as it changes users to consumers. Since not everybody is equally able to exercise choice, the spread of free choice leads to increased inequality.

The shift towards more fiscal and occupational welfare has been driven by political parties, and the labour market partners have taken on the role of provider in the areas of pension, sickness and leave benefits. Furthermore, many private companies by now offer health insurance.

The Danish People's Party has been successful in pressing for policy changes. As previously described, a special social assistance scheme now exists for new entrants to the country, and within the general social assistance are accompanying benefit ceilings and work demands. Family allowances are also subject to a benefit ceiling. All in all, these policy changes tend to disproportionately affect claimants in certain ethnic minority groups more than ethnic Danes. At the same time, the Danish People's Party has on several occasions hindered benefit cuts that would negatively affect the unemployed, the elderly or the sick more generally. These policy changes have led to a dualism in state welfare schemes, where some people are more equal than others. Whereas all may still be covered, i.e. a high degree of universalism, people are no longer receiving the same benefits. This change constitutes a clear break with the equality value inherent in the traditional Nordic welfare model.

Will the future bring more or less dualism or multi-tiered welfare states? Integration of ethnic minorities into national labour markets is proceeding faster than predicted only a few years ago. This can be seen by comparing the projections of labour market participation of non-Western immigrants and their descendants made by the Danish Welfare Commission from 2005–06 with those achieved. The completion of tertiary education by the young ethnic minority females now also surpasses that of ethnic Danes. Perhaps the time of ethnicity as the main divider in welfare policies will return to the classic class divider.

Conclusion

The data used here show a movement away from the universal welfare state in central welfare state areas through the worker's increasing need to be in the

labour market if he or she is to acquire the social rights to benefits. Nonetheless, a high degree of gender equality still exists in Denmark, compared to other countries, even with men still earning more than women. Policy changes also indicate that both the emphasis and the long-term perspective of ALMP have changed, with a move towards more work first. However, the ALMP still fulfills the historical ambition of having equal access to the labour market for men and women and a low level of unemployment. Development of private health insurance could imply a farewell to the universal access to health care, although the tipping point has not yet been reached.

Free choice and increased use of market mechanisms in the public sector also suggest a risk of less solidarity in the model. Even so, the degree of economic and gender equality is still high in Denmark when compared with other European countries. This may indicate that it is possible to achieve traditional objectives of equality in the Nordic model even when welfare reforms make it more important to be in work to get benefits and introduce new ways of financing and organising the welfare state.

However, if these changes continue, then we will be witnessing a gradual erosion of the universal Danish welfare state, with an increase in the focus and use of a more private model.

A financial crisis precipitated the introduction of direct benefit cuts, and then only for families with children, and in ways that disproportionately affect socio-economic groups of ethnic minorities.

The emergence of more 'multi-tiered' or 'dualised' welfare states challenges research in more than one way. Policy researchers will be ill-advised to continue looking only at state welfare and using indicators reflecting average situations or households. Private schemes – whether collective or individual – must increasingly be taken into account and stacked on top of those state welfare schemes, if any, for which a particular group may be eligible. The differentiated coverage of the population combined with developments towards more diversity in both labour markets and families means that researchers must use new indicators. These indicators must be more relevant for their research question than indicators on the situation of standard workers and families, or (even less informatively) on aggregate or average indices.

The need for better measures is essential, not only for better portraying social reality but also for differentiating between the similar pathways taken by countries that initially belong to different welfare regimes. The USA, Conservative and Social Democratic countries all enforced private schemes and made minimum income schemes and activation measures harsher. These parallel trends may, however, not lead to convergence of welfare models because the starting points in terms of welfare regime were different and because the timing, speed, intensity and extent of the changes to public and private schemes are likely to vary. Carefully crafted comparative analyses may provide useful answers, and choosing countries from different regimes may prove a useful supplement to existing studies comparing developments inside specific regimes (Emmenegger *et al.* 2011).

The extent to which countries end up on the same route of more tiers or dualism calls for further comparative political studies of how this pathway came about for countries with different institutions, political systems and

parties in government, as well as diverging ideas and normative belief systems.

The big question is what dynamics exist between different tiers in the emerging multi-tiered welfare models. In the Nordic context, the question is simple: Will retaining the support of – and tax money from – privileged socio-economic groups remain possible as they become increasingly covered by complementary, supplementary or even alternative schemes to the state welfare schemes that are gradually eroding or at best at a standstill? If not, we may soon experience a tipping point, after which the model may change in ways that can no longer be seen as matching those of the Nordic welfare model we knew from the 1990s. There is thus a need for a rethinking of our worlds of welfare capitalism.

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