

**The future of the welfare state: paths of social policy  
innovation between constraints and opportunities**

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**ERODING MINIMUM INCOME IN THE NORDIC COUNTRIES AND  
ABROAD? REASSESSING THE TYPICAL CHARACTER  
OF NORDIC SOCIAL ASSISTANCE**

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*Abstract:* Social assistance and minimum income benefits are important indicators for assessing the very basic objective of social policy, namely to mitigate financial hardship and alleviate poverty. Studies have shown that the Nordic countries have succeeded well from a comparative point of view in providing minimum income through social assistance schemes to its' citizens. The literature has categorized the Nordic countries in a specific welfare regime, the encompassing model combining both high levels of basic security and income security. The Nordic welfare states emphasize equality of outcomes something that have had influence of the guaranteeing of generous minimum income. However, social assistance and minimum income benefits are changing, not only in Continental Europe but also in the Nordic welfare states.

The aim of this study is to assess the uniqueness of the Nordic social assistance regime. Are the Nordic social assistance schemes moving in a specific direction, which is in accordance with the traditional encompassing model? Or are the Nordic social assistance regulations becoming more similar to those of other OECD countries. Data for the empirical analyses are from SaMip, LIS, OECD and Eurostat. We will use various indicators to establish development tendencies in relation to social assistance. These indicators are not a comprehensive set of various types of information regarding social assistance, but are used more due to their accessibility for comparative research. Following indicators have been chosen. Scope of benefits (expenditure). Benefit levels (PPPs), adequacy rates (benefits in relation to median incomes), poverty among social assistance recipients, anti-poverty effectiveness of social assistance arrangements.

Social assistance and minimum income benefits are important indicators for assessing one of the very basic objectives of social policy, namely to mitigate financial hardship and alleviate poverty. Whereas social insurance aims to provide income security for losses in work income and child benefits are intended to compensate households for increased economic burdens, one objective of social assistance is to provide a minimum safety net for households not qualifying for other types of public support. Several scholars point to the necessity of a system of well-functioning minimum income support. Marshall (1950) stated that the provision of a certain minimum income for all members of society defines the very nature of social citizenship. Also Rawls (1971) recognizes the central role of minimum income support in advanced societies. In just societies social minimums guarantee that the short-term basic needs of citizens are satisfied. More recently Liebfried (1993: 139) argues that the most appropriate test for the functioning of social citizenship is to ask what the welfare state does for the poor and destitute citizens. Thus, the provision of minimum income support should be one of the main areas for comparative welfare state research. Nevertheless, broad comparisons, both cross-nationally and temporally, of social assistance and minimum income support are rare.

This study assesses the unique characters of Nordic social assistance since the early 1990s up to the mid 2000s. The study is done as part of a Nordic network of excellence ‘Reassessing the Nordic Welfare Model (NCoE)’. The over-arching objective of this program is to analyze whether the Nordic countries correspond still to the idea of a distinct Nordic welfare model, or whether Nordic social policy is moving away from this trait. The paper raises several questions. Are the Nordic social assistance schemes moving in a specific direction, which is in accordance with the traditional encompassing model? In this model social assistance plays a marginal role in the welfare state machinery, both in terms of expenditure and case loads. Even so, benefits are comparatively generous and effective for poverty alleviation. Or is Nordic social assistance becoming more similar to that of other OECD countries? Have institutional conformity in both set-up and outcomes of social assistance occurred across a broader spectrum of advanced welfare states? Such processes of social policy convergence are present according to some scholars (Threlfall, 2003) and the EU (European Commission, 1998).

Social assistance and minimum income protection is perhaps not the first to come in mind when we think about Nordic social policy and the Nordic welfare model. With the expansion of non-means-tested social security in the first decades after the Second World War, social assistance became a peripheral component of Nordic social policy (Korpi, 1973; Esping-Andersen and Korpi, 1984; Lødemel, 1997). For example, before the Swedish old age pension reform and the introduction of universal child benefits in the late 1940s, social assistance accounted for 16 percent of social policy expenditure. After the reforms this share was down to 4 percent (Korpi, 1975). Until the 1990s social assistance expenditure in Sweden was not more than 3 percent of social policy expenditure. Compared to several continental European countries and liberal welfare democracies outside Europe this share of expenditure is remarkably low (Eardley et al. 1996). Similar developments occurred also in other Nordic countries, such as Norway (Lødemel, 1997) and Finland (Kuivalainen, 2004). This process of crowding out the need for means-tested benefits, such as social assistance, should not solely be viewed as the result of an expansion of universal and income-related provisions in the Nordic countries. Also important is the close focus on full employment and active labor market policy, which was introduced in Sweden during the 1960s and subsequently has come to characterize Nordic labor market policy.

In the early 1990s and along with the economic crisis at that time, changes were introduced both in Nordic social policy and in Nordic labor market policy. Attempts were made to re-organize social policy and shift focus of labor market policy. Perhaps these processes are most apparent in Finland and Sweden, where the economic downturn of the early 1990s were particularly manifested. This re-organization of social policy involved for example cut-backs in benefits, tighter eligibility criteria, and a re-emphasis on means-tested policies. Also private and occupational social security schemes became more prominent. Macro-economics and labor market policy also started to change and there were a shift in focus from full-employment to low inflation. Today the Nordic welfare states are characterized by higher unemployment rates and increased dispersion of income than what was common during the heydays of welfare state growth from the second-world-war and up to the 1980s. Of course there are some differences in development between the Nordic countries. In Finland and Sweden the unemployment rate has fallen compared to the levels recorded precisely after the economic crisis in the mid 1990s, but at the turn of the new millennium unemployment levels were still higher than before the crisis in the

early 1990s. Denmark and Norway have performed better judged by this indicator and here the unemployment rate were lower in 2000 compared to 1990 (Saint-Paul, 2004). There are many factors that may account for these divergent trends among the Nordic countries. For example, one factor may be that Denmark since 1994 gradually have introduced a system of social protection and labor market policy characterized by the principle of flexicurity, in part with the intent to stimulate economic growth and labor market mobility. In short flexicurity means less stringent or even weak employment protection combined with elaborate wage protection.

The welfare state changes introduced in the Nordic countries since the beginning of the 1990s can be summarized in different ways. If we put it more blunt, one perhaps provocative rundown is that the Nordic countries during the latest two and a half decade or so have moved towards the liberal welfare regime described by Esping-Andersen (1990), where state provisions are less well developed and where social assistance plays a more prominent role in the overall system of social protection. Indeed, some of the changes that have been introduced in Nordic social policy seem to be ‘commodifying’ in character and show some resemblance to neo-liberal ideas about the trust in markets. Below we will assess whether it is possible to find any such tendencies of a liberalization of Nordic social policy and if Nordic social assistance has moved closer to its OECD counterparts. The exclusive focus on social assistance is here motivated by the heavy reliance of means-tested benefits in the overall structure of social policy in liberal welfare regimes. However, a comprehensive evaluation of Nordic social policy must also take wider social policy structures into account. Other core areas of Nordic social policy are dealt with in additional sections of the edited volume for which this paper is intended for.

This paper is structured as follows. Next follows a section reviewing earlier comparative work on Nordic social assistance. Thereafter we identify dimensions of social assistance relevant for an evaluation of Nordic social assistance. Data is discussed after this, followed by a presentation of the main empirical results. The paper ends with a concluding discussion.

### **Welfare State Modeling and Social Assistance Regimes**

Comparative welfare state research has flourished during the past decades and has occupied increasingly with typologies. This literature has categorized the Nordic countries in a specific

welfare regime, which is characterised by a strong degree of decommodification, universalism and benefit quality (e.g. Esping-Andersen 1990; Korpi & Palme 1998). The egalitarian element is simply the practice of universalism combined with income security: everybody enjoys the same rights and benefits, with close connection to performance on the labour market. The combination of these two redistributive strategies contrasts with the Beveridge and Bismarchian examples of social policy provision. Benefit coverage is typically high also in the United Kingdom, but benefit levels are comparatively low due to the sole emphasis on basic security. In Germany core programs lacks coverage, even though earnings-related income protection provide high entitlement levels for those who have access. The Nordic countries share similarities also in outcomes. Low levels of income inequality and poverty are often referred to here, as well as the comparatively high degree of gender equality in the Nordic countries (Kautto et al. 2001).

Earlier studies have also established social assistance typologies and examined how minimum income benefits correspond to more general welfare state structures (Leibfried 1992, Lødemel and Schulte 1992; Eardley et al. 1996a; Gough et al. 1997; Gough 2001). Social policy typologies are always difficult to conduct, in part because of the amount of differences and similarities that often have to be taken into consideration. Particularly troublesome are characterizations of social assistance, which simultaneously can show high degrees of country specific characters as well as substantial variation within countries (Ditch 1999, 132). Lødemel and Schulte (1992) were among the first ones to classify social assistance schemes. They labeled the Nordic countries as the residual poverty regime; characterized by relatively generous social assistance provided to small proportions of the population. In another study Eardley *et al.* (1996a, 165-171; see also Gough *et al.*, 1997 and Gough, 2001) identified eight types of social assistance schemes using five different indicators; coverage, organization, benefit level, means-testing (which part of the income was disregarded) and discretion. Here, the Nordic countries composed a distinct '*residual social assistance*' regime, fueled by a strong tradition of full employment and universal welfare provisions. Also the harshness of means-testing in Nordic social assistance is emphasized for this residual social assistance regime, which in addition to income places focus on the financial capital of claimants. The high degree of individual discretion in Nordic social assistance, whereby national law only provide rough regulations into the rights and duties of claimants, is emphasized as well.

To a varying extent, the organization of social assistance regimes is in line with expectations generated by more general regime theory. For example, social assistance is expected to play a marginal role in the distributive process of social-democratic welfare states compared to more liberally oriented countries. Compared to the general standard of social protection, also social assistance are expected to be fairly generous in the Nordic countries. However, the organization of social assistance involves also inconsistencies to more general regime theory. For example, Nordic social assistance is closely related to social work and schemes are often locally operated with comparatively harsh means-testing. In this regard the 'sub-regimes' of social assistance differs from expectations generated by more general welfare state typologies. In particular the threefold distinction between social-democratic, liberal, and conservative welfare state regimes suggested by Esping-Andersen's (1990). 'The welfare paradox' is the term used by Lødemel (1997) to describes these discrepancies between general and selective redistributive principles embodied in liberal and social-democratic welfare state regimes. Here, the Nordic countries feature a residual sub-regime of social assistance that more resembles welfare state structures of liberal countries than traditional encompassing ideas of social democracy. The high stigma associated with Nordic social assistance is one consequence of this development. Perhaps another effect is that social assistance in the Nordic countries still shows strong similarity to the old poor relief, which often was highly localized and less rights-based than contemporary minimum income benefits.

Also Bradshaw and Terum (1997) identify some specific features of Nordic social assistance. Besides the harshness of Nordic means-testing, they also point to the close relationship between cash and care. Traditionally the Nordic countries place strong emphasis on the requirements of program participants to take part in treatment, rehabilitation and training when possible. This close response between cash and care is probably due to the specific target group of Nordic social assistance, which mostly concern the very poorest of the able-bodied population (Halvarson and Marklund, 1993, 69-70). Besides low income alone, many of these individuals suffer also from problems in other areas of living. Thus, in the Nordic countries social assistance recipients often have complex problems, involving for example the combination of low income and ill health (Korpi, 1975).

Studies have shown that the Nordic countries have succeeded well from a comparative point of view in providing minimum income through social assistance schemes to its' citizens (e.g. Eardley et al 1996; Nelson 2003; Kuivalainen 2004). The encompassing model adopted by the Nordic welfare states place strong emphasis on equality of outcomes, something that have influenced also minimum income benefits such as social assistance. However, social assistance and minimum income benefits are changing, not only in Continental Europe and the Anglo-Saxon countries, but also in the Nordic welfare states. Being a last resort benefit, social assistance does not exist in isolation from other welfare state structures; its role and importance is contingent upon the organization and success of other forms of social protection. This is one reason why comparisons of social assistance should focus on both institutional structures and outcomes, where benefit levels and poverty alleviation are two crucial dimensions.

### **Dimensions of Social Assistance and the Distributive Model**

Social policy studies, at least comparative ones, can roughly be divided into three interconnected parts; driving forces or causes, institutions, and outcomes. Together these three areas or dimensions of social policy form a distributive model of the welfare state. *Figure 1* describes this distributive model and how the three dimensions of social policy are interrelated. The feedback arrows indicate that the model is dynamic in character. Here, policy feedbacks induce further changes along a distinct path of welfare state evolution. Initial moves in one direction may encourage additional changes in this tradition of welfare state development, while discouraging alternative ways of reforming existing welfare state structures (Skocpol, 1985; Skocpol and Amenta, 1986; Pierson, 1993, 2000).

Welfare state institutions can also be viewed as intermediate variables in the ongoing power struggles related to the distribution of society wealth. In this actor-oriented perspective social policy institutions are shaped by underlying motives of political actors responding to outcomes generated by welfare state institutions and market forces. In particular this includes responses triggered by the distribution of economic resources in society, but also interest formation and other normative values, such as public opinion and beliefs about state intervention into market forces, are important to consider here (Korpi 1981). The vertical arrows indicate that also other “exogenous” factors are necessary components of the distributive model, such as business cycles, financial and political globalization, demographic trends and so forth. Some of the factors may

occasionally and at least partly end up in the third box reflecting outcomes, not the least this concern for example business cycles and some demographic trends such as fertility.

Studies on the organization of social policy may be considered to only involve the second box in Figure 1, titled institutions. Thus, in order to analyze the uniqueness of Nordic social assistance one could argue that the analysis should be restricted to institutional structures alone. However, in the comparative literature this narrowing of the unit of analysis is not always the one preferred. Esping-Andersen (1990), for example, used indicators capturing all three dimensions above in his three-fold categorization of welfare state regimes. Both institutional configurations and outcome related variables are included in the decommodification index used to distinguish welfare state regimes from one another, whereas the main driving forces for each regime is used to label countries into distinct groups. Quite contrary to this procedure of categorizing countries into different welfare state typologies, Korpi and Palme (1998) have argued that the analysis exclusively should focus on institutional factors, which should not be confounded by including also causes and outcomes. This more narrowed orientation of the basic units of analysis is fully understandable giving the very nature of Korpi and Palme's objective, which was to link the organization of social insurance to poverty and inequality outcomes.

In this study we do not follow either of these two procedures and instead we do something in between of that suggested by the examples of Esping-Andersen (1990), on the one hand, and Korpi and Palme (1998), on the other hand. We chose to look at benefit levels (institutions) and poverty alleviation (outcomes). In addition we add the extent of social assistance as a further outcome related variable. The extent of social assistance is not used to measure the quality of social protection. Rather it gives us the opportunity to study how much governments rely on social assistance benefits in the overall distributive system. This central dimension of social assistance cannot be assessed simply by an inspection of benefit levels or anti-poverty effects.

We leave driving forces a side mainly due to the complexity of this issue, which for example includes the interplay between social policy structures, most importantly the relationship between social insurance and social assistance. Moreover, there are hardly any broad comparative studies, including a large sample of countries, on the causes of institutional variation in social assistance. However, one such study is Nelson (2006), which shows that an explanation for cross-country

differences in the institutional set-up of social assistance must take both power resource explanations and neo-institutionalist perspectives into consideration. Although it is relevant to include also driving forces in a study that focus on Nordic social assistance developments, it is simply beyond this study to comprehensively comprehend such explanations in the empirical analysis. For example, this would demand social insurance data that do not exist at the moment, such as social insurance replacement levels across a broader set of income groups.

## **Data**

There are a number of institutional features of social assistance and social assistance outcomes that potentially should be included in a study of this kind. However, here we are rather restricted to the type of information and databases already existing. At the institutional side focus is on benefit levels, whereas outcomes are measured in terms of poverty alleviation. More specifically we use the following social assistance indicators; benefit levels standardized for PPPs, adequacy rates (social assistance relative to median incomes), extent of social assistance in terms of means-tested benefit expenditure as percentage of total social benefit expenditure and the GDP, poverty among social assistance recipients, and anti-poverty effectiveness of social assistance.

Data on social assistance benefits levels and the extent of social assistance are from the Social Assistance and Minimum Income Protection Iterim Dataset (SaMip) and data on anti-poverty effects of social assistance are from the Luxembourg Income Study (LIS). SaMip contains various comparable indicators reflecting the level of social assistance and related minimum income benefits. This data have been collected on the basis of a type-case approach (see Nelson 2007). Benefit entitlements are established by consulting national regulations. Three typical household types are used: a single person, a two-parent family and a lone-parent with two children. In this paper we use an updated version of the SaMip dataset, which includes the southern European countries as well as Eastern European countries. In its present state the dataset includes 27 countries and covers the years 1990-2005. The most recent version of the dataset also includes means-tested benefit expenditure, re-calculated from the OECD social expenditure database.

Luxembourg Income Study (LIS) is a collection of household income surveys that are harmonized in order to enable comparative studies. The database contains national micro-level

income data for more than 30 countries at various years. About 2,000 – 57,000 households are included in the national samples. The LIS dataset is used to analyze changes in poverty rates among households receiving minimum income benefits and the ability of these benefits to alleviate poverty i.e. the poverty reduction effect. The relative approach is used to measure income poverty. Poverty is defined as household income below 60 % of the median disposable equivalent income in total population. To adjust for family size the square root of household size is used. The anti-poverty effect of social assistance benefits is measured using standard methods. The actual poverty rates are compared to the counter-factual case of an income distribution lacking means-tested benefits. Thus, it is assumed that an absence of means-tested benefits has no behavioral effects, which of course is un-realistic. Nevertheless, this assumption is standard among scholars that do assess the impact of social policy on poverty and income inequality. The relative reduction in poverty is the reduction in percentage of the poverty rate before and after social assistance is deducted from disposable income. To assess the effectiveness of social assistance to reduce poverty we use the pre-constructed LIS income variable ‘MEANSI’. The LIS dataset have income data for Denmark, Finland, Norway, and Sweden at different years from the early 1990s to the mid-2000s. Similar income data can be used for 11 additional OECD countries (Belgium, Canada, France, Germany, Hungary, Italy, the Netherlands, Poland, Spain, the United Kingdom, and the United States).

## **Results**

In order to assess the unique character of Nordic social assistance we will take two aspects into consideration; trends and levels. Trends show the extent to which Nordic social assistance has followed a unique path of developments over the last one and a half decade or if Nordic social assistance developments rather follow an international pattern. Levels are important to assess the impact of these trends, that is, whether Nordic social assistance still is different. We will start this presentation by an analysis of benefits and expenditure, and thereafter shift focus to poverty alleviation.

### *Benefits and Expenditure*

*Figure 2* shows changes in social assistance benefit levels in three groups of countries; Nordic countries; OECD excluding Eastern Europe and OECD including Eastern Europe. Social assistance includes child benefits, housing benefits, and refundable tax credits where relevant.

Benefits are indexed for wage development and the base year is set to 1990. Averages of three typical households are used; a single person, a couple with two children, and a lone parent with two children. The general pattern shows that social assistance became more generous in the early 1990s, where after the trend goes downward. This negative trend appears in the Nordic countries and in the two OECD groups. Both the increases and the curtailments of benefits are more marked in the Nordic group, which mostly is due to group size. The greater number of countries included in the OECD groups tend to make the changes in the average scores reported in Figure 2 somewhat smoother. The increase of benefits in the early 1990s, in the Nordic countries particularly, is mostly not due to improvements in the basic rates of benefits, but rather due to a slowdown in wage increases during the economic crisis years.

[Figure 2 about here]

The indexation of social assistance to wages is closely related to poverty alleviation, at least according to the relative standards upon which poverty measurement most often is based in cross-national research. *Figure 3* shows developments in social assistance adequacy rates at different years 1990-2000. The adequacy rate is the social assistance benefit as percentage of the median disposable equivalent income in total population. Once again an average of three typical households is used. It is evident that adequacy rates also decreased between the mid-1990s and 2000. Although social assistance in most countries kept up with price developments over these years and in some cases even increased faster than prices, wages in most occasions increased even faster. The end result of these trends is the decreased adequacy rates shown in Figure 3. In this respect there are hardly any differences between the Nordic and the OECD groups. Once again, the increased trend in the early 1990s is mostly not due to improvements in benefit rates, but rather due to less substantial increases in median population income during economic crisis years.

[Figure 3 about here]

Next we turn to the extent of social assistance, which is measured in terms of means-tested benefit expenditure. In *figure 4* changes in means-tested benefit expenditure as percentage of total social benefit expenditure is shown since 1990 and up to 2005. The base year is 1990.

Compared to benefit levels, means-tested benefit expenditure shows more fluctuations over time. Generally, means-tested benefit expenditure tends to be more closely related to business cycles than total social benefit expenditure, which also is reflected in the figure. Two trends are quite easy to discern. The first trend is that of increased means-tested benefit expenditure in the first half of the 1990s and the other trend is that of decreased means-tested benefit expenditure since the mid 1990s. It is only at the end of the period since 2003 that we notice any substantial difference between the Nordic countries and the two OECD groups. Whereas means-tested benefit expenditure since 2003 increased among the OECD countries, it continued to decrease in the Nordic group.

[Figure 4 about here]

Even though means-tested benefit expenditure instead is expressed as percentage of the GDP, the general trends and similarities identified above for the Nordic countries and the OECD groups remain, as shown in *Figure 5*. The major difference is that the U-turn pattern has shifted somewhat to the left, where the decline in means-tested benefit expenditure occurs somewhat earlier when the GDP is used as numerator instead of total social benefit expenditure.

[Figure 5 about here]

In sum the developments of social assistance benefit levels and means-tested benefit expenditure show more similarities than differences in overall trends between the Nordic countries and the two OECD groups. Albeit some differences can be discern, such as the increased extent of means-tested benefits among the OECD groups at the end of the period and the continued decrease in the Nordic countries, it is doubtful that developments over the last one and a half decade on these dimensions have moved Nordic social assistance more closer to or distant apart to that of social assistance in OECD countries in general. To investigate this issue in closer detail we turn next to absolute levels of benefits and expenditure.

Have developments in benefit levels and expenditure during the last 15 years resulted in convergence, divergence, or “status quo”, when the Nordic countries are compared to other OECD countries. *Figure 6* shows absolute benefit levels and expenditure levels in the Nordic

countries and the two OECD groups in 1990 and in 2005. Nordic levels are expressed as fractions of those recorded for the OECD groups. Thus, a value of 1 indicates that there is no difference between the groups of countries. The crucial point for our purpose is whether there are any substantial differences on these fractions between the two points of measurement. Based solely on this descriptive analysis it is difficult to identify any strong institutional convergence. There have been no shifts in rankings. Initial differences in benefit levels and expenditure levels seem to prevail, something that seem to be due to similar developments among the countries of study. The Nordic countries still provide more generous and adequate social assistance benefits, while spending less on means-tested benefits. The most noticeable sign of convergence is for the ratio between the Nordic countries and the OECD group excluding Eastern Europe and on the indicators measuring the extent of means-tested benefits. Here, the indicator on means-tested benefit expenditure as percentage of total social benefit expenditure has changed from a value of 0.3 in 1990 to a value of 0.5 in 2005. When means-tested benefit expenditure is related to the GDP this change is from 0.5 in 1990 to 0.7 in 2005.

[Figure 6 about here]

### *Poverty alleviation*

Next we will perform a similar type of two-step analyses, but where focus is on outcomes. *Figure 7* shows how poverty among social assistance recipients has changed at various years between 1990 and 2005 in the Nordic countries and among a broader set of OECD countries. During the 1990s poverty among social assistance recipients increased among the Nordic countries and in the OECD group. Especially in the early 1990s is it possible to find some differences between the two groups of countries. Whereas poverty in the early 1990s seems to have been rather stable in the Nordic countries, to be fair poverty did even decrease somewhat, poverty increased continuously in the OECD group between 1990 and 2000. This may seem quite odd considering the deep economic recession in especially Finland and Sweden in the early 1990s. One possible explanation may be that the economic crisis influenced the level of the median income to potentially counteract any poverty increases among social assistance recipients. Later on in the second half of the 1990s when the economy of the Nordic countries had improved, poverty among social assistance recipients shows the similar increasing trend as observed in the OECD groups.

[Figure 7 about here]

The second trend in outcomes to be monitored here is poverty alleviation linked to social assistance. *Figure 8* shows the anti-poverty effect of social assistance in the Nordic countries and in the OECD group at various years between 1990 and 2005. Also for this indicator it is possible to find some differences between the Nordic countries and the OECD group. Actually we do find the opposite development in the OECD as in the Nordic countries. In the early 1990s the anti-poverty effect of social assistance increased in the Nordic countries, whereas it did decrease among the OECD countries. From thereon social assistance in the Nordic countries has become less effective to reduce poverty among the welfare clientele, whereas the opposite is true for the OECD. However, the net effect is almost like nothing has happened, since in 2000 both the Nordic countries and the OECD are back at the levels reported in the early 1990s. Similar patterns are observed if we look at the anti-poverty effects of social assistance in total population (not shown here).

[Figure 8 about here]

The extent to which these opposite trends have resulted in convergence or divergence in social assistance outcomes are analyzed in *Figure 9*, which shows poverty among social assistance recipients and anti-poverty effectiveness in the beginning and at the end of the period. For anti-poverty effectiveness hardly any change has occurred over the period and in terms of differences between the Nordic countries and the OECD group. For poverty among social assistance recipients it is possible to find some convergence, although poverty at the end of the period still is higher in the OECD group. Poverty rates have increased in both groups of countries, but mostly so in the Nordic countries, resulting in less cross-national variation than in the beginning of the period.

[Figure 9 about here]

## **Discussion**

Our main purpose was to examine the uniqueness of social assistance in the Nordic countries and we have done this by a comparison with other OECD countries on selected indicators, involving both institutional characteristics and outcomes. Although we can identify changes in the various indicators during the last one and a half decade, the distances between the Nordic countries and the OECD countries is remarkable stable. We do find evidence that could be interpreted as some kind of liberalization of Nordic social policy, with cutbacks in benefits and increased poverty rates among welfare recipients. But there are also other signs that somewhat goes against this, most notably decreased social assistance expenditure since the mid-1990s in the Nordic countries and rather stable anti-poverty effects of social assistance.

Social assistance in other OECD countries has also changed, pretty much in the same directions as among the Nordic countries. Cross-country differences between the Nordic countries and other OECD countries therefore seem to be rather intact, where the Nordic countries in a comparative perspective still have a rather low extent of means-tested expenditure in the overall welfare state machinery, quite generous and effective social assistance benefits, and low poverty rates among welfare recipients. The stronger magnitude of trends among the Nordic countries results in a slight convergence of social assistance on some indicators, albeit not distorting the overall uniqueness of Nordic social assistance.

A tentative conclusion would therefore be that the Nordic welfare state and Nordic social assistance arrangements indeed have changed since 1990, but differences compared to other welfare democracies seem nevertheless to persist. This is mainly due to the same tendencies going on also in other types of welfare states. Thus, social assistance in the Nordic countries during the last one and a half decade is a story of both change and continuity. Changes have mostly been in the downward direction, with decreased benefit levels and less effective social assistance benefits to reduce poverty. Continuity concerns the international uniqueness of Nordic social assistance, where benefits in the Nordic countries still are provided at comparatively high levels and where social assistance is rather effective to reduce poverty.

Lastly, we would like to stress the problems of this kind of comparison and especially two limitations of the results presented. First, there are a number of other institutional aspects and

outcomes that should be at focus in this type of comparison, but which due to data reasons are left out of the analysis. Second, the broad grouping of countries conceals interesting variations both in the Nordic cluster and in the OECD group. And of course, also more sophisticated statistical methods could preferably be used.

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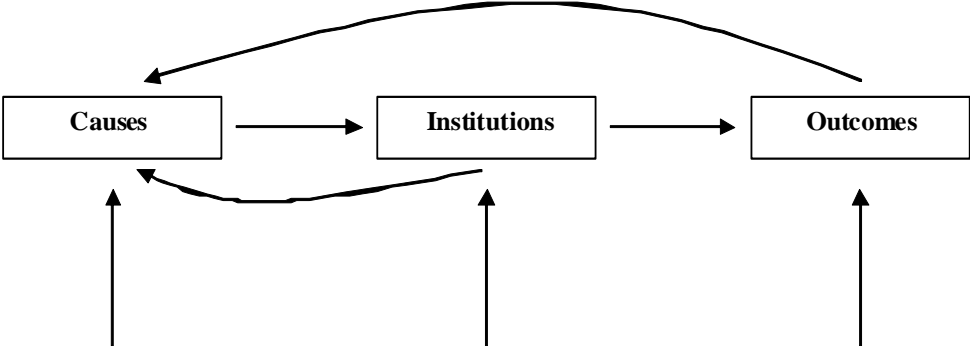
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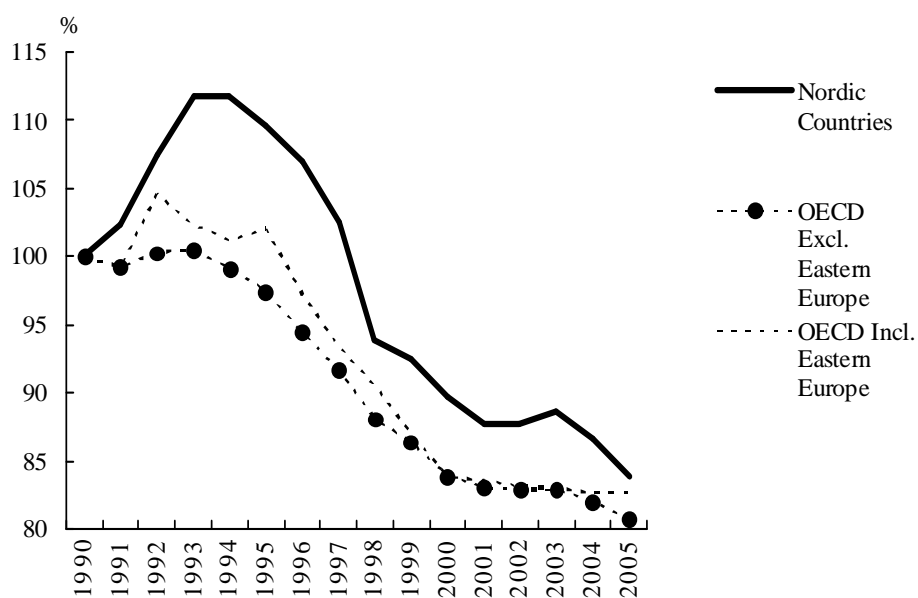
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**Figure 1.** Distributive Model of the Welfare State.



Source: Nelson (2003).

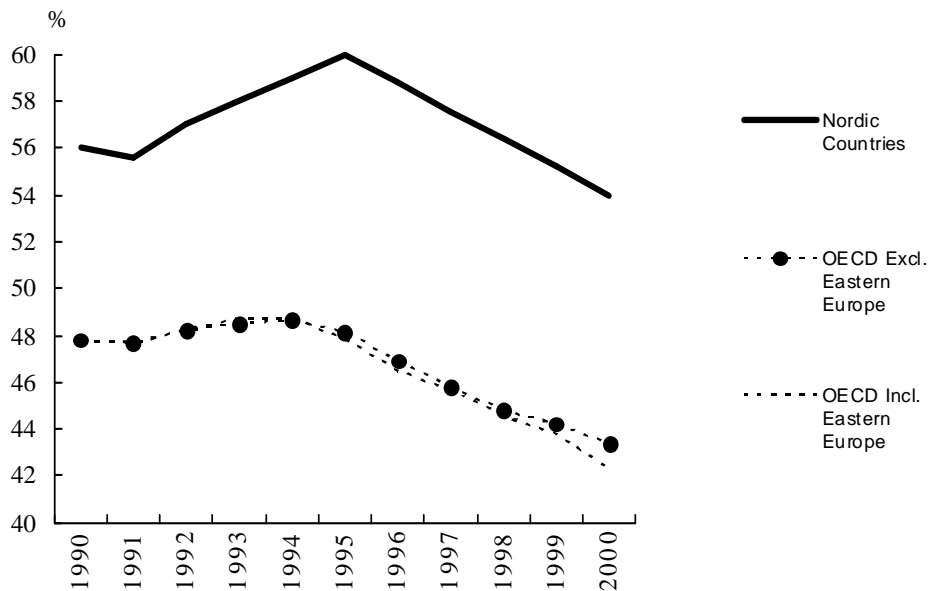
Figure 2.Changes in Social Assistance Benefit Levels as an Average of Three Typical Households in Three Groups of countries: Nordic Countries, OECD Excl. Eastern Europe, and OECD Incl. Eastern Europe; Index 1990=100.



Note: Typical households: Single person, single parent, two-parent family. Benefits standardized for Wage Development.

Source: SaMip

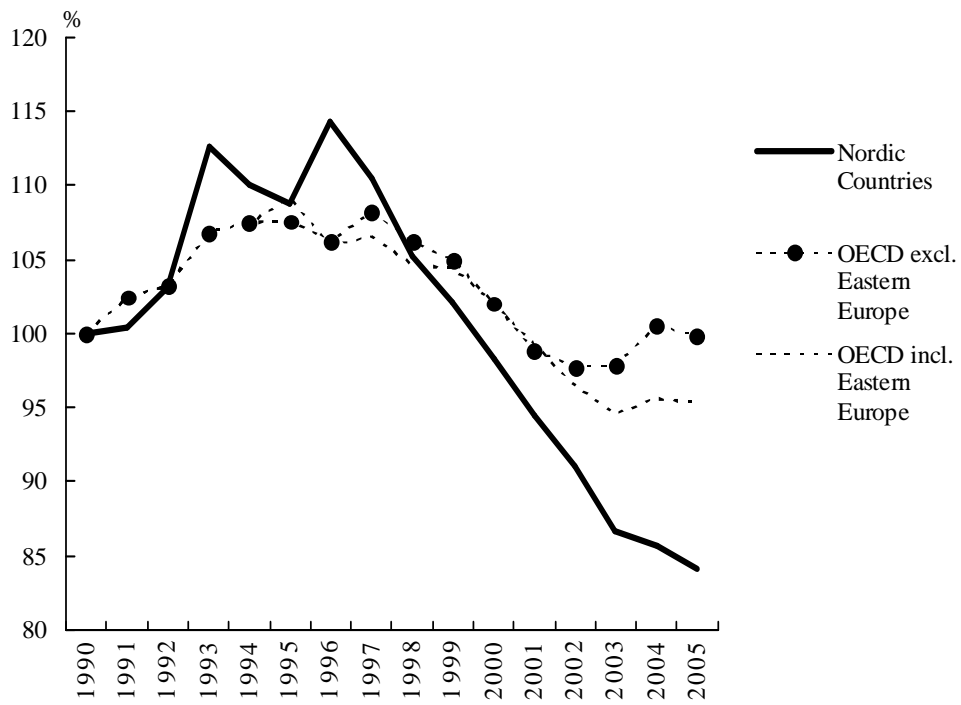
**Figure 3.** Adequacy of Social Assistance as an Average of Three Typical Types of Households in Three Groups of countries at Various Years; Nordic Countries, OECD Excl. Eastern Europe, and OECD Incl. Eastern Europe.



Note: Typical Households: Single person, Single parent, and Two-parent Family. Adequacy is equal to the equivalized disposable social assistance income divided by equivalized median disposable income in total population times one hundred.

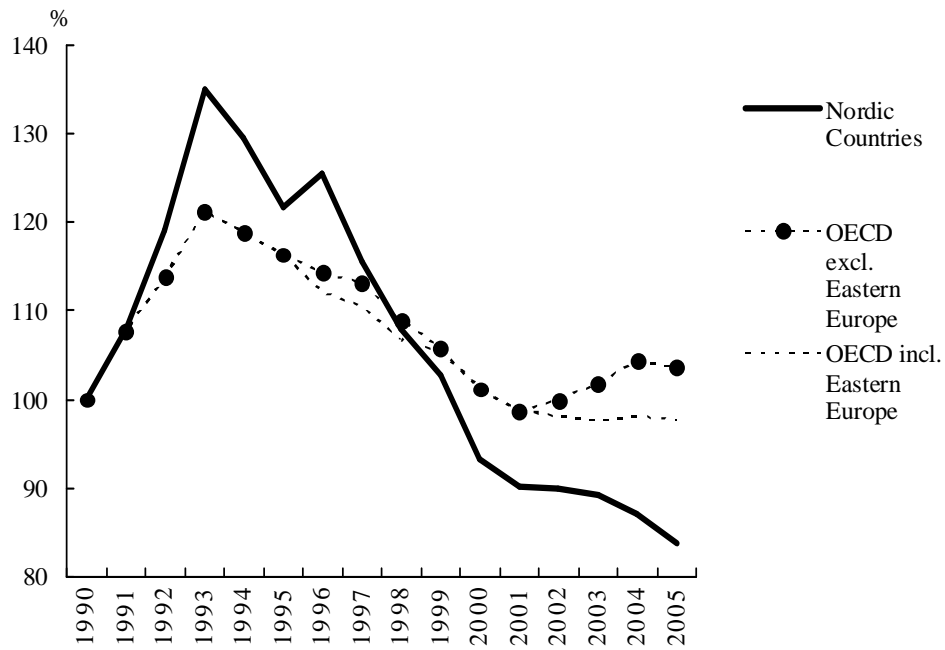
Source: SaMip

**Figure 4.** Changes in Means-tested Benefit Expenditure as Percentage of Total Social Benefit Expenditure in Three Groups of countries: Nordic Countries, OECD Excl. Eastern Europe, and OECD Incl. Eastern Europe; Index 1990=100.



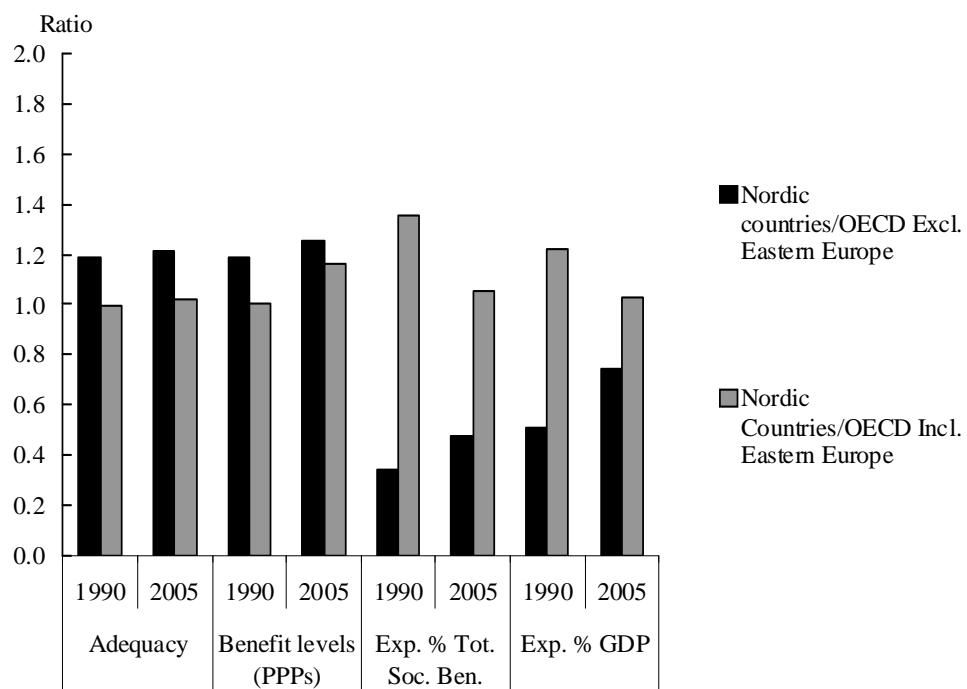
Source: SaMip.

**Figure 5.** Changes in Means-tested Benefit Expenditure as Percentage of GDP in Three Groups of countries: Nordic Countries, OECD Excl. Eastern Europe, and OECD Incl. Eastern Europe; Index 1990=100.



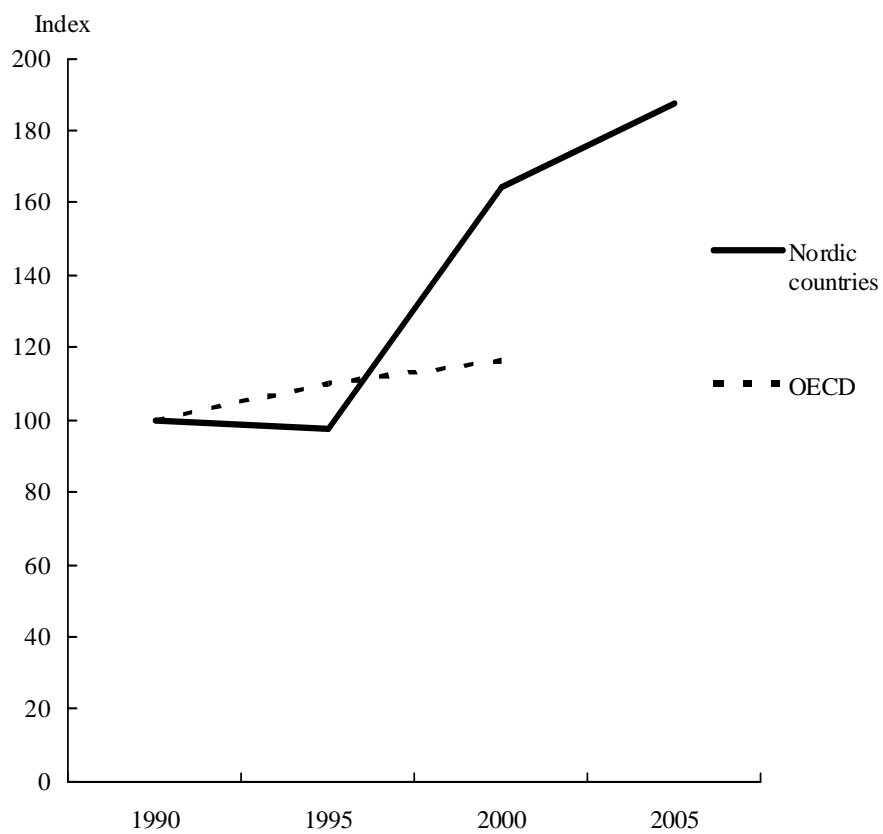
Source: SaMip.

**Figure 6.** Differences in Benefit Levels, Adequacy, and Expenditure between the Nordic Countries and the OECD 1990 and 2005. Ratios between Nordic countries and OECD.



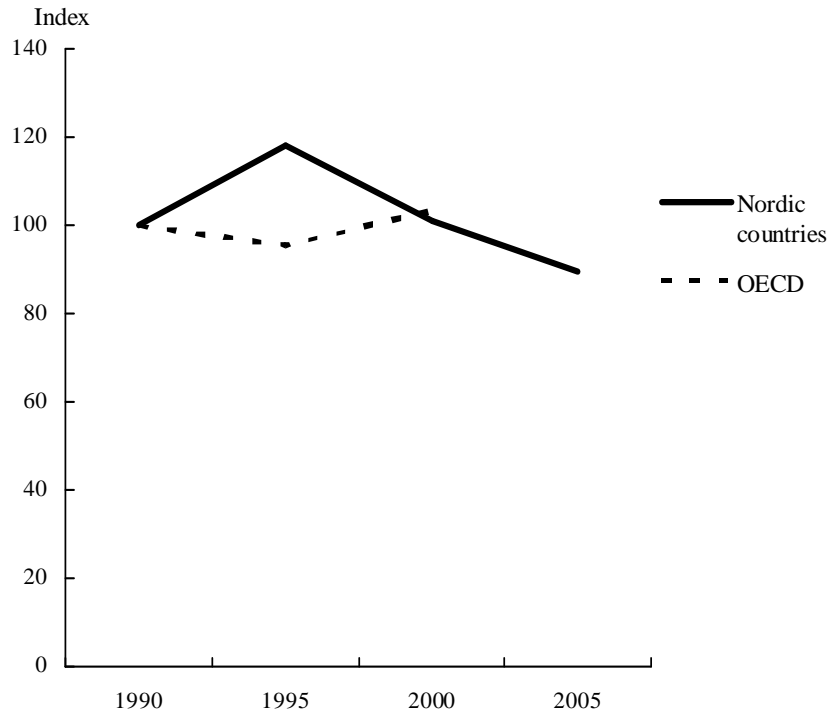
Source: SaMip

**Figure 7.** Social Assistance Recipient Poverty Rates in the Nordic Countries and in Selected OECD countries at Various Years 1990-2005, Index 1990=100.



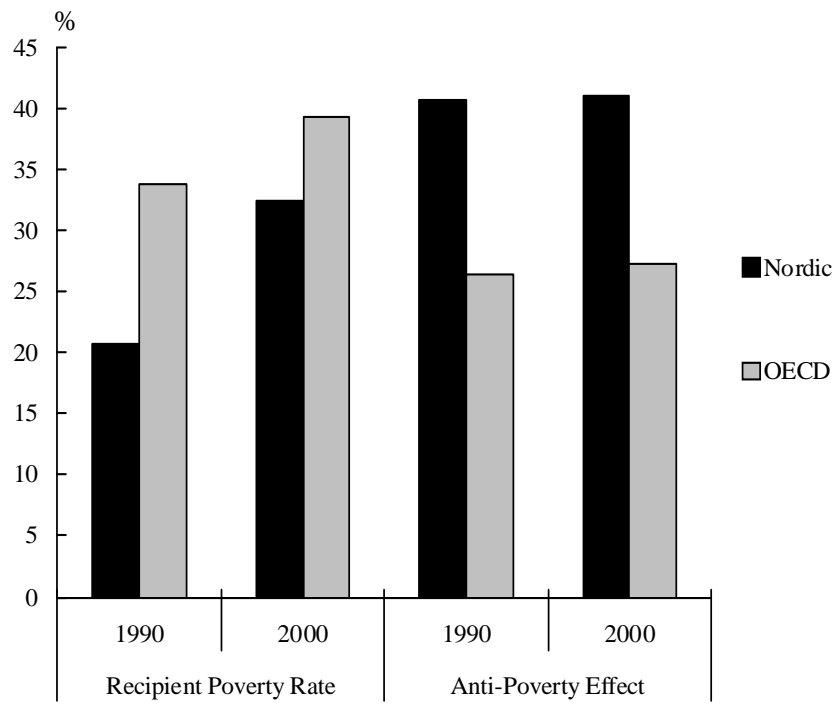
Source: LIS.

**Figure 8.** Anti-Poverty effects of Social Assistance among Welfare Recipients in the Nordic Countries and Selected OECD Countries at Various Years, 1990-2005 (index 1990=100).



Source: LIS.

**Figure 9.** Poverty Rate among Social Assistance Recipients and Anti-Poverty Effects of Social Assistance in the Nordic Countries and Selected OECD Countries, around 1990 and 2000.



Source: LIS.