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Parallel Trends, Persistent Diversity

Nordic Welfare States in the European and Global Context

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ABSTRACT There exists a broad consensus among welfare state researchers that the welfare state has not been retrenched in any fundamental manner. Instead, a process of restructuring is unfolding in response to globalization, European integration and internal pressures. However, the question remains whether welfare state reform has led to convergence on the European scene. This article discusses the new literature on convergence and divergence from a Nordic perspective, and gives an account of how reforms affected the patterning of European welfare states towards the late-1990s. The article is based on key findings from a large empirical research project comparing welfare state adjustment and its consequences in several dimensions among Western European welfare states over the past two decades. It concludes that welfare state change has led to convergence in some areas, but above all, it has been characterized by parallel trends that can be identified in different welfare states. Such parallel trends in turn have meant persistent diversity among welfare regimes.

KEYWORDS *convergence, Nordic countries, welfare regimes, welfare state adjustment, Western Europe*

Introduction

Towards the end of the 1990s there emerged a rather broad consensus among comparative welfare state researchers that the welfare state is not being dismantled or retrenched in a fundamental manner (Palier, 2001; Pierson, 1994). Recent large-scale empirical comparative studies have

shown that the welfare state is rather undergoing a process of gradual reforms and revisions (Ferrera et al., 2000; Kautto et al., 1999, 2001; Kuhnle, 2001; Pierson, 2001; Scharpf and Schmidt, 2000; Taylor-Gooby, 2001). To mark this shift in emphasis the present era of welfare state development is described in terms of restructuring or re-calibration. Similarly, we have witnessed a shift concerning the nature and underlying causes of welfare state change. Previously dominant talk of 'welfare state crisis' has given way to rhetoric favouring welfare state challenges and pressures for change. In the 1970s and 1980s neoclassical economists, Marxist sociologists and political scientists alike all predicted that the capitalist welfare state would crumble under its own weight due to crowding out of private investments, moral decay, contradictions and government overload. Today, globalization, ageing populations and changing family and labour market structures are portrayed as the most pressing challenges. These changes in emphasis signal that the imminent death of the welfare state has been postponed, that the welfare state may be the cure for overcoming problems rather than their cause, and that efforts should be devoted to analysing the pressures on the welfare state arising from exogenous factors, on top of more endogenous ones (Esping-Andersen, 1999; Jæger and Kvist, 2000).

While arguably such a shift of emphasis may be detected, there are a number of unanswered questions in the comparative literature. In particular, it is still unclear whether the reforms of the last two decades took place without affecting the differences between welfare states or types of welfare states, or whether they instead led to convergence, i.e. decreasing differences between welfare states and types of welfare states. On the one hand, scholars emphasizing the importance of institutional factors such as the political system, the labour market and the welfare state itself, tend to argue that reforms took place within specific regimes (e.g. Esping-Andersen, 1999; Pierson, 2001). This strand of thinking suggests developments are regime-specific, or path-dependent. On the other hand, such views have been challenged by positions stressing the importance of external challenges that will eventually lead to convergence between different types of welfare states (see Alber and Standing, 2000).

In this article we examine how recent reforms affected the patterning of welfare states, with special emphasis on the issue of convergence, based on empirical analyses of various welfare state dimensions covering seven European countries in the last 20 years (these are reported in their totality in Kautto et al., 2001). The article proceeds as follows: in the next section, we clarify the motivation and means of analysis for studying welfare reform in the Nordic countries in the 1990s from a comparative perspective. We then investigate the nature and direction of trends in the means and ends of welfare states, comparing the situation of the Nordic countries with that prevailing in Germany, the Netherlands and the United Kingdom. Finally,

this enables us to discuss whether the Nordic countries at the end of the 1990s, given all challenges and reforms, remained distinct from other welfare states, and to what extent recent European welfare reforms follow identical paths and lead to convergence.

The Nordic Welfare States in the 1990s

Historically, the Liberal, Social Democratic and Conservative welfare regimes have resulted from different historical forces, including institutional legacies and the mobilization of political classes (Esping-Andersen, 1990, 1999). They have followed qualitatively different development trajectories, are organized according to their own logic, and produce different outcomes. The existence of a distinct 'Nordic welfare model' is widely acknowledged and further solidified by Esping-Andersen's Social Democratic regime (1990, 1999), and indeed the Nordic countries have been the most distinctive of all country groups identified in the literature (Castles, 1993: xxi; but see Baldwin, 1990). The Nordic welfare model is characterized *inter alia* by mobilization of workers and women that have influenced the development for a broad scope of public social policy, a political commitment to full employment and reduction of inequalities on several fronts (e.g. gender, income, family situation, region). The model is associated with high social expenditure, public financing and high taxes. In addition to a universal and generous income transfer system, the Nordic model has featured local and publicly funded social and health care service production to cater for all needs and the whole population (see Erikson et al., 1987; Kangas, 1994; Kautto et al., 1999; Kolberg, 1991; Korpi and Palme, 1998; Kvist, 1999; Sipilä, 1997). With regard to outcomes, the Nordic model should achieve low income and gender inequality, low poverty rates and small disparities in living standards. Moreover, these various attributes are thought to interact and reinforce each other, only together constituting the whole that we may describe as the Nordic model (Esping-Andersen and Korpi, 1987; Kvist, 1999).

Crucially, it is these characteristics that allow the Nordic welfare model to be commonly portrayed as 'big and fat' compared to the more 'mean and lean' models in Atlantic and Continental European countries. Thus, in so far as current challenges translate into trimming the welfare state, the Nordic countries would be the most likely candidates to undertake such measures with speed and determination. This could lead to a sort of downward convergence of the Nordic welfare states. Indeed, for an empirical examination of such claims, the four Nordic countries of Denmark, Finland, Norway and Sweden offer a unique laboratory-like setting due to their differing national social, economic and political developments in the 1980s and 1990s.

The major political, economic and social upheavals that occurred in

Europe at the beginning of the 1990s also affected the prospects of the Nordic countries. The collapse of the Soviet bloc and bipolar world order triggered transition processes towards a new world order. Western European nation-states responded with calls for a more integrated Europe, both politically and economically. In the northern corner of Western Europe, Sweden, Finland and Norway revised their policy; Finland and Sweden became EU members, while Norway opted to cooperate within the EEA-agreement. In terms of domestic policy the 1990s challenged the ruling position of the social democrats in the governments of these countries. Denmark was the sole Nordic member of the EU at the start of the 1990s and first of the Nordic group to experience a shift from Conservative-led to Social Democratic-led coalition government in the 1990s. Increased mobility of capital, internationalizing markets and technological progress generated debate on globalization and its impacts. The early years of the last decade also saw a slump in the global economy. Nowhere in the Western industrialized world was this more visible than in Finland and Sweden. These countries witnessed three consecutive years of macroeconomic decline measured in GDP terms, and their unemployment rates increased almost five-fold between 1990 and 1993, with parallel declines in employment. Unemployment also rose in Norway, and in many respects the experiences of Denmark in the 1980s were now extended to the three other Nordic countries.

Naturally enough, attention from many quarters led to asking whether these radically new conditions also implied fundamental changes to existing policy practice in the Nordic countries. The Nordic welfare model was certainly being challenged. The steady economic growth and high, if not full, employment that were generally seen as cornerstones of the model suddenly appeared to belong to the past. The consequent fiscal problems placed policy makers in a new situation: instead of policy reforms to guarantee more and better 'social rights', cuts and other balancing measures were considered, and an emphasis on 'social duties' in the form of increased taxes and social contributions as well as tougher work obligations and moral responsibilities became more prevalent.

European and Global Pressures for Reforms

Generally, factors behind such a shift in policy concern can be analysed with reference to internal and external pressures (e.g. Esping-Andersen, 1999; Ferrera and Rhodes, 2000), although such a distinction is arguably a simplification of processes whose origin, character and inter-linkages are not easily captured. Key internal challenges for adjusting welfare states arise from ageing of the populations, employment trends and changing family patterns. In the Nordic context, ageing of the population is perhaps the biggest and least contested of these. The baby boom generation of the

Second World War will retire within the next 20 years, and since consequent age cohorts are smaller, the share of the working age population will decline at the same time as the share of elderly rises. At the same time there has been a tendency to later entry and earlier exit from the labour market as well as prolonged longevity. In total, this means that fewer working people in the future will have to support more people outside the labour market (OECD, 2000). Obviously, this puts pressure on national governments to maximize the number of potential workers. However, the Nordic countries cannot draw on a 'pool of reserve female labour' to the same extent as most other countries since Nordic women already participate in the labour market to (nearly) the same extent as men. Added to the existence of universal old age pensions and encompassing care for the elderly this means that ageing is sometimes portrayed as a nearly insurmountable challenge for the Nordic welfare states.

In addition to concerns over age dependency ratios, in the 1990s the pressures to carry out the reforms were often formulated with reference to external challenges. For many years critics have argued that the Nordic welfare states have excessive taxation, over-rigid legislation, stagnant institutions and too much public involvement. They are said to spend too much on welfare, give the wrong incentives regarding participation in paid employment and family formation, and by having loose entrance criteria for benefits – and high levels of benefits – they are said to promote welfare dependency. In the 1990s such criticisms were rallied to the cause of economic globalization. It was argued that in an ever more global and competitive environment where firms and employees are more dynamic, and where capital and goods move freely across borders, such a 'slack' system is no longer suitable nor is it sustainable.

Also, a growing international academic literature reflects concerns of the potential – primarily negative – impact of globalization on the welfare state. The most gloomy scenario foresees a 'race-to-the-bottom' with national governments competing to attract global capital, companies and labour by lowering taxes, deregulating labour markets and cutting social provisions (e.g. Cosh et al., 1992; Mishra, 1999; Rodrik, 1997). This erosion of the financial basis of the welfare state and its concomitant hollowing out of welfare policies implies downward convergence of welfare states. In sharp contrast, upward convergence is expected by authors stressing that the integration of the world economy and technological advances have spurred economic growth as well as raised and homogenized people's preferences and expectations across countries (see respectively Abrahamowitz, 1986; Bowles and Wagman, 1997). Another strand of literature stresses that countries cannot be expected to react uniformly to the forces of globalization as they are differently plugged into the world economic system (e.g. Bruno and Sachs, 1985) and/or have different labour market and welfare state institutions (e.g. Esping-Andersen, 1999). According to these

authors, effects of globalization of the welfare state, to the extent they exist, will depend on a country's particular type of welfare regime and its exposure to the international economy. However, some academics argue that there are welfare state limits to globalization (Rieger and Leibfried, 1998), or even insist that globalization does not in fact occur (most notably Hirst and Thompson, 2000). The latter argue that internationalized economies are not new, that transnational companies are relatively rare, that capital mobility and foreign investments are not as significant as alleged, that the world economy is more regional (i.e. within Europe, Japan, and the USA) than global, and that international financial markets have become more rather than less regulated.

Another substantial issue in the 1990s was the effect of European political integration, or more specifically of the EU and EMU, on the policies of member states. In this area, two strands of literature can be identified on, respectively, European integration and Europeanization. While globalization is supposed to impact welfare states mainly through unintended consequences, European integration is more a question of intentional efforts at a supranational level to achieve 'harmonization' and 'coordination' between the members. So far, however, harmonization of social policy proper is restricted to minimum standards of maternity leave, i.e. pay during medical checks and a 13-week maternity leave, coordination of social security rights for migrant workers, and a few non-binding recommendations and declarations (Kvist, 1995). Not surprisingly, most therefore agree that in the social dimension nation-states remain sovereign actors (e.g. Kosonen, 1994). However, views are at variance regarding the effects of general political and economic integration on the welfare state. The idea is that increased collaboration will somehow trickle down from the supranational level to the national level also in areas at the core of the welfare state, what is seen as Europeanization of national institutions and policies. Such processes may entail diffusion of ideas and policy learning as enhanced by efforts to identify and disseminate best practice in the area of employment and social inclusion policies where annual national action plans are drawn up, evaluated and monitored through the so-called open method of coordination. This method means that common objectives are agreed upon in the Council of Ministers whereas national governments are free to choose the means of how to achieve these objectives. And there are no legal or economic forms of sanctioning in case of non-compliance. But as these processes are still in their embryo no solid evaluations have so far been undertaken. Other authors warn that spillover effects may happen from one policy area to another and of the pressure towards greater similarities in economic and fiscal policies, institutional arrangements and levels of provision in the EU member states (Hagen, 1999; Leibfried and Pierson, 2000; Scharpf, 1999; Streeck, 1996).

In the Nordic context the most disputed EU threats for national welfare

states concern social dumping and social tourism. In fact, the social dumping argument can be seen as a regional version of the globalization thesis that states that companies speculate in national labour market standards with regard to taxes, wages and job legislation, and that governments in response lower standards in order to retain or attract capital and companies (see also Alber and Standing, 2000; Guillén and Matsaganis, 2000). There is nothing 'social' nor 'touristique' about the argument of social tourism which say that EU nationals from countries with bad social benefits migrate to countries with good and accessible social benefits. Having relative universal and generous, and to some extent more tax-financed welfare schemes have led some Nordic commentators to argue that these characteristics attract an influx of people to the Northern corners of Europe from the Southern, and, following the process of EU enlargement, from the Eastern parts of Europe. A suggestion from both Left, Centre and Right quarters of Nordic political parties is that the governments of the member states should agree on some joint objectives and standards in the social dimension, otherwise pressure from the EU may make it difficult for the countries with the most generous provisions to sustain them in the face of the perceived threats of social dumping and social tourism.

In sum, during the 1990s reference to 'external pressures' from the European and global context began to supplement older concerns and established criticism against welfare state arrangements based on internal pressures (see also Alber, 1988; Esping-Andersen, 1999; Jæger and Kvist, 2000; Moran, 1988; Van Kersbergen, 2000).

From Challenges to Reforms, from Reforms to Convergence?

There is no doubt that such challenges – whether real or not – impelled policy makers to consider and introduce reforms. But what impact these reforms had on the prevailing divergence among European welfare states is another question. Those sceptical of the distinctiveness and sustainability of the Nordic welfare states expect some convergence (a process resulting in less variation) of policies to occur, either explicitly or implicitly. However, dissenting views have also appeared. Attention has been drawn to the fact that many of the countries that have long been highly exposed to international trade competition, such as the small and open Nordic economies, also tend to have 'larger' welfare states (Garrett, 1998; Gough, 1999; Katzenstein, 1985; Mjøset, 1986; Stephens et al., 1999). Several scholars express scepticism about the impact of globalization on the capabilities of national governments to pursue their own social and welfare policies, and argue that the welfare states of Western Europe are likely to survive globalization (Ferrera et al., 2000; Hirst and Thompson, 2000; Kuhnle, 2000). In this view, national politicians, rather than supranational forces, continue to decide the fate of the welfare state, institutions remain

slow to change, and public support for welfare state measures makes radical reforms a difficult enterprise (Pierson, 2001).

This type of debate is reminiscent of older juxtapositions in welfare state theorizing. The first generation of comparative welfare state studies typically saw welfare state development as a response to changing societal processes, although there were different variants of this general functionalist hypothesis. According to the logic of industrialism and modernization theory technological and economic rationality pressed for convergence in all industrialized societies. It was argued that economic development both produces the wealth necessary for welfare provision and the need for it, as the population ages and traditional social networks erode in parallel with the processes of industrialization and urbanization (e.g. Flora and Alber, 1981; Wilensky, 1975). In an equally functionalist way, Marxists saw the development as a feature of modern capitalism (e.g. O'Connor, 1973). Having been subject to severe criticism from many quarters the idea of convergence was largely neglected in the 1980s, but received fresh attention in the 1990s, albeit in revised form.

The current convergence thesis tends to evolve around arguments stressing factors beyond nation-states, such as internationalization, geopolitical transformation, technological revolution, liberalized money and capital markets, as well as a globalized culture. Montanari (2000) identifies another difference: whereas the old convergence theory explained the emergence and expansion of the welfare state, the new convergence thesis underpins views that emphasize the curtailment of welfare states. However, it should be mentioned here that on closer examination there is no single convergence thesis or theory, but rather a multitude of various views on impact mechanisms and their outcomes. Sometimes convergence is interpreted to mean a move towards a European average, or even a minimum. If these were the correct interpretations, convergence from a Nordic perspective would mean a 'Europeanization' of the Nordic welfare states (Hagen, 1999). However, convergence may also occur if other Western European countries start to adopt policies and arrangements already institutionalized in the Nordic countries; this is referred to as 'catch-up convergence' (see for example Alber and Standing, 2000; Greve, 1996; Guillén and Matsaganis, 2000).

Theoretically, variants of the convergence thesis are challenged by authors stressing continuing differences. Today it is largely accepted that European welfare states have, for a variety of historical, economic and political reasons, developed different welfare regimes that link the functioning of social institutions (labour market, welfare state and family/household) in various ways. In these circumstances, 'common challenges' in fact become regime-specific challenges (Esping-Andersen, 1999), as they are 'filtered' by national traditions, institutions and interests (Ferrera et al., 2000). Moreover, the existing institutional configuration imposes limits on available policy options

(Pierson, 2001), which also influences the process of restructuring. Consequently, it is argued that policy adaptation becomes 'path-dependent', or follows regime-specific logic, and that reforms tend to be incremental rather than radical, possibly even to the extent of locking existing policy arrangements into place (Pierson, 2001). Hence, stability rules rather than change when it comes to differences between regimes.

So far, however, both advocates of the new convergence thesis and of path dependency suffer from a shortage of comparable, cross-national empirical evidence, and thus have not been able to falsify or generalize their findings. Most studies cover only one or a few countries, typically countries belonging to the liberal or conservative welfare regime, and generally only one area of the welfare state. In other words, there has been a gap between general theorizing and empirical evidence, largely due to a shortage of comprehensive empirical studies looking simultaneously into both policies and outcomes for countries belonging to different welfare regimes.

Divergence or Convergence?

This is the gap we aim to fill on the basis of findings obtained in a recent empirical cross-national analysis of welfare state developments in the Nordic countries and Western Europe, particularly Germany, the Netherlands and the United Kingdom (see Kautto et al., 2001). In particular, we consider welfare state change from a welfare regime framework (see Esping-Andersen, 1999). Crucially, for analysing diversity among welfare states and convergence it is important to pay attention to changes in all the important dimensions: the interplay between the state and the market, between the state and the family, and regarding welfare state outcomes. The analysis of the first dimension, state-market interplay, draws on studies on financing of social protection, activation policies and changes in unemployment compensation schemes. The relationship between the family and the welfare state is examined by studies of family policies, gender policies and services. Finally, outcomes are analysed through studies on income distribution, gender equality and health inequalities. However, within the limits of an article's length we cannot here show how different studies approached and answered the questions concerning distinctiveness and convergence, nor address questions concerning the magnitude of changes. For such issues we need to forward the reader to the original studies. However, we provide some examples to support the conclusions.

A preliminary conclusion is that empirical analyses of welfare state developments in these dimensions display greater complexity and ambiguity regarding variation and trends than the arguments for 'institutional inertia' and 'new convergence', as set out above, suggest. When simultaneous attention is focused on developments across a wide spectrum of welfare state activities and outcomes, a picture of both divergence and convergence

emerges that renders invalid any universal claim in favour of either path-dependency or convergence. Whereas the above theoretical ideas and hypothesis are general in nature, our empirical investigations show that it is possible to find contradictory cases in nearly all dimensions of the welfare state.

However, if we abstain from the goal of formulating and falsifying universal laws on welfare state developments, and instead aim at middle-range generalizations, we can indeed reach conclusions regarding group similarity and trends. In the following we thus set out how empirical evidence points to three main conclusions: (1) a distinct Nordic welfare model can be identified, (2) due to parallel rather than converging trends country differences have persisted, and (3) the last 20 years of development have not led to dismantlement nor 'Europeanization' of Nordic welfare states.

A Distinct Nordic Welfare Model

Regarding collective similarity, the Nordic countries as a group still tend to be different from other Western European countries in key dimensions of policy and welfare. This does not imply they are similar in all respects, as significant differences in the degree and form of adaptation and policy responses can also be found. Yet, in most dimensions the Nordic countries group together. Similarities appear most striking in the levels and distribution of welfare, rather than in policies; systematic similarities can be detected in income distribution, poverty and gender equality. In comparison with other countries the Nordic countries are characterized by less income inequality and lower rates of relative poverty (Fritzell, 2001). Gender equality is more pronounced, and in household-based comparisons Nordic women are less dependent on their partner's income than elsewhere (Sørensen, 2001).

There is also evidence for the distinctiveness of Nordic social policies. The development of gender policies follows almost identical development paths (Kjeldstad, 2001). Similarly, care for the elderly and children developed within a 'social' trajectory in the Nordic countries rather than within 'education' or 'health' as in the other countries (Rostgaard and Lehto, 2001). Moreover, Nordic countries continue to solve care needs by providing publicly run care services, and have by far the greatest shares of pre-school children in day care and elderly living in institutions or in receipt of home care services (see respectively Kvist, 2000, 1999). In addition, as a group the Nordic countries invest most in 'active measures', while their spending on 'passive measures' also remain the highest (Hvinden et al., 2001). This does not mean the Nordic countries are similar in all respects. Changing family patterns are not addressed in a uniform way in tax and social security legislation just as it is not possible to find a common Nordic

pattern for health inequalities (see respectively Hatland, 2001; Lundberg and Lahelma, 2001).

Parallel Trends

Regarding trends, we find little evidence of Nordic and non-Nordic countries having become more similar than before. Although convergence does seem to be occurring in some policy areas and outcomes of the welfare state, overall developments tend to be characterized more by parallel trends. All countries place a greater emphasis on work in reforms of welfare policies. This shows up in the rhetoric surrounding welfare reforms, but also as increased demands for previous work experience for eligibility and entitlements, more work availability by social security claimants, and – in some countries – a greater push for activation policies (Clasen et al., 2001). However, different starting points among countries for such reforms, and varying speed and intensity with which they have been undertaken, mean it is more justified to talk of parallel trends rather than convergence of national welfare models (see also Kvist, 2002).

Similarly, parallel trends can be found with regard to welfare outcomes (Table 1). Although income differences have been increasing lately in both non-Nordic and Nordic countries (with the possible exception of Denmark) no convergence of inequality in incomes is found, despite repeated claims to the contrary (Fritzell, 2001). For example, the Gini coefficient measure of inequality rose from being 32 percent higher in the UK than the Nordic average in the mid-1980s to become 48 percent higher a decade later. Parallel trends also characterize the development in earnings differentials

TABLE I *Examples of parallel trends in welfare outcomes. Income inequality and the gender gap in earnings in seven European countries, mid-1980s and mid-1990s*

<i>Country</i>	<i>Income inequality: equivalent disposable income, Gini coefficients</i>		<i>The gender gap in earnings: ratio of women's average earnings to men's (18–60 years old)</i>	
	1980s	1990s	1980s	1990s
Denmark	0.257	0.240	0.63	0.66
Finland	0.207	0.226	0.68	0.72
Norway	0.234	0.242	0.49	0.54
Sweden	0.220	0.222	0.64	0.66
Germany	0.249	0.261	0.38	0.44
Netherlands	0.268	0.256	0.31	0.40
UK	0.304	0.346	0.37	0.45

Sources: Fritzell (2001) and Sørensen (2001) based on LIS-data, see references for original data sources and specifications.

between men and women (Sørensen, 2001). All seven countries succeeded in narrowing the gender gap by fostering more economic independence for women, but as a consequence the differences between the countries did not change much.

Signs of Convergence

Even though parallel trends is the overall finding, a few words concerning the results supportive of convergence are appropriate, given the widespread anticipation of detrimental effects of globalization and the EU on Nordic-type welfare states. Two rather safe conclusions can be drawn about the nature of converging trends. First, against widespread expectations, signs of a 'Europeanization of Nordic social policy'-type of convergence appear very limited. The only clear case of such convergence to emerge is the change in the relative responsibility for financing social protection (Table 2). In the light of available data the responsibilities of different parties for financing in the Nordic countries now resemble more the picture in the rest of Western Europe (Kautto, 2001). To what extent this implies convergence in the nature of social protection policies is another story, especially as no uniform Nordic pattern of financing existed in the first place.

Second, there are good grounds to argue that when convergence has occurred, it has primarily been of the nature of 'catch-up convergence'. A number of non-Nordic countries adopted policy measures similar to those in the Nordic countries. For example, the active promotion of employment and gender equality are more visible these days on the political agendas of many European governments and international organizations than they used to be, with potentially far-reaching consequences for the design of supportive policies in Western European countries. In terms of employment opportunities, especially for women, this seems to have resulted in a more active role for the state in guaranteeing childcare and elderly care. The Netherlands and France with their childcare policies could be named as examples of this sort of development (Rostgaard and Lehto, 2001). In fact, social care services provide an area of analysis where a general talk of retrenchment is greatly exaggerated, and where challenges do not seem to lead towards dismantlement but to investments and improvement (see Castles, 2001; Kautto, 2002; Kvist, 2001). Moreover, regarding financing trends, most indicators show it is the Southern European countries that by investing more in social programmes have narrowed the gap to the other EU member states that used to have higher taxation and social spending levels.

Active labour market policies also provide good grounds for arguing that some sort of catch-up convergence could be taking place. Nordic countries, and especially Sweden as an activation pioneer, and, most recently, Denmark, have been promoted as examples of good practice for the other EU member states. Non-Nordic countries like the Netherlands, but also

TABLE 2 *Examples of convergence and diversity in policies. Trends in financing social protection in 15 West European countries, 1990–97*

	<i>Level of financing: social protection expenditure as percentage of GDP</i>		<i>Share of the employers as percentage of total financing</i>		<i>Share of the insured as percentage of total financing</i>	
	1990	1997	1990	1997	1990	1997
Belgium	26.7	28.5	40.9	49.2	25.2	23.1
Denmark	29.7	31.4	7.8	8.5	5.3	17.5
Germany	25.4	29.9	43.6	38.6	28.4	28.9
Greece	23.2	23.6	39.4	37.6	19.6	23.2
Spain	19.9	21.4	54.4	52.2	16.9	17.5
France	27.7	30.8	52.0	46.4	28.8	26.4
Ireland	19.1	17.5	24.4	21.4	15.6	13.8
Italy	24.1	25.9	52.9	50.3	15.0	17.1
Netherlands	32.5	30.3	20.0	22.6	39.1	46.4
Austria	26.7	28.8	38.1	37.7	25.1	27.1
Portugal	15.6	22.5	37.1	28.6	20.0	18.1
Finland	25.5	29.9	44.1	35.1	8.0	13.3
Sweden	33.1	33.7	38.5	39.2	2.0	7.8
United Kingdom	23.2	26.8	27.2	25.2	16.3	15.3
Norway	26.4	25.7	24.0	23.9	12.4	14.4
Coefficient of variation	0.188	0.161	0.365	0.364	0.529	0.446
Convergence or divergence?	Minor catch-up convergence		More or less similar trends, no convergence		Persistent diversity, some Europeanization of the Nordic welfare states	

Source: Kautto (2001) based on ESSPROS data.

France, Ireland and Italy, did indeed become more activist in the last decade (Clasen et al., 2001; Hvinden et al., 2001).

Persistent Diversity

However, it is too simple to suggest that these changes are signs of convergence just because they point in the same direction. Reforms have taken place within different social policy programmes and still broader contexts (e.g. family and labour market structures). For example, child day care is much more universal, highly professional and offered for longer hours in the Nordic countries compared to Britain and the Netherlands, despite a general trend in both groups of countries towards expanding the scope of childcare provision. In other words, the very combination of social policies internally and with other state and non-state provision constitutes

qualitatively different types of social policies in the Nordic versus the non-Nordic countries. Furthermore, differences appear likely to persist despite similar types of pressure for change and similar types of change in certain aspects of individual programmes across countries.

Finally, regarding the question concerning the Europeanization of Nordic welfare states, globalization and Europeanization are often identified as the two main challenges that countries have to accommodate, and most often by way of eroding or changing fundamentally their welfare states. In the literature, generous welfare states like the Nordic ones are seen as obvious candidates for thorough reform. However, there is not much evidence for such a thesis; membership of the EU has not changed the Nordic welfare states. Neither Denmark's membership of the EU since 1973 nor the more recent entrance in 1995 of Finland and Sweden has led to these welfare states becoming eroded or moving away from the other Nordic countries. Indeed, for example, Denmark has moved closer to the ideal type of the Nordic welfare model over the last 20 years. Equally, it seems globalization has not adversely affected the Nordic welfare states in a fundamental manner.

This is not to say that no important changes have taken or are taking place. Indeed, a myriad of changes is continuously unfolding, and in some cases these have resulted over time in a poorer correspondence with some of the ideal typical traits. For instance, Sweden and Finland are further away from full employment (but Norway and Denmark closer), some of the Nordic income transfer systems are less generous than they were a decade or so ago, and their services in some dimensions are less public than they used to be. In addition, numerous cutbacks have hurt many, especially the young, unemployed and child families. Thus absolute changes have certainly taken place in the Nordic welfare states, as in all others. But when one considers the combination of the different elements remaining after reforms – and examines their consequences for the diversity among welfare states – it is still possible to argue that country differences have not evaporated significantly enough to legitimize talk of dismantlement or convergence. In other words, there is relative stability at the level of types of welfare states, despite actual changes in both policies and outcomes.

Concluding Remarks: Parallel Trends and Persistent Diversity

Weighing all the evidence we thus conclude that the Nordic welfare states are still distinct. Resting our secondary analysis on individual analyses carried out from a common framework to consider divergence and convergence, there is a bulk of empirical evidence supporting the notion that the Nordic countries at the end of the 1990s still had a distinct welfare state model. The characteristic features of universalism and relatively generous or good quality social insurance benefits and public service production,

combined with a more tax-based financing model, used to be and have remained distinct for the Nordic countries' welfare policies. For instance, whereas the United Kingdom in some respects shares the emphasis on universal coverage, the scope and size of benefits are generally much smaller. Germany and the Netherlands, in contrast, sometimes offer more generous cash transfers to middle to higher income groups than the Nordic countries. But their coverage is more selective and the redistribution strategy is not guided by an egalitarian principle as in the Nordic countries, but rather by a merit principle according to which benefits reflect people's work record and occupational status, which results in selective coverage. And whereas Germany and the Netherlands may be heavy on transfers, they are light on publicly guaranteed service provision.

Moreover, variety in the institutional features of social policies is reflected in the economic and social situation of various groups. Women and lower income groups are most notably 'better-off' in the Nordic countries. Gender equality is much more pronounced in the Nordic countries. In this respect there is positive progress in all countries, but this also means that the disparities between countries did not narrow. In terms of income inequality the Nordic countries all have less pronounced differences in disposable equivalent income, and lower poverty rates for typically vulnerable groups.

Interestingly, actual changes seem not only fuelled by demands arising from globalization and Europeanization, but also, and probably more so, by endogenous challenges such as demands of (young) women for greater emancipation and opportunities to reconcile work with family, and by ageing populations. The latter, in particular, places the issue of promoting employment among people of working age high on national political agendas. Whereas male employment is more or less the same across Western Europe, there is great variation in women's participation in the formal labour market. The record high employment rates among Nordic women are partly attributed to the Nordic welfare model that functions both as an employer of women and a facilitator of a (nearly) uninterrupted work career while having children. Social services for children and the elderly are therefore one feature that some non-Nordic countries are slowly – and perhaps surely – starting to import, albeit adapted to their specific cultural values, political struggles and economic potentials. The Nordic welfare model is thus a sustainable idea, and in some respects even a popular one, for instance in response to calls for more employed, whereby women are not obliged to stay for long periods out of the labour market to care for small, sick or elderly dependants. Hence, in some areas developments in the EU are moving in a Nordic direction.

In broad terms, and weighing our empirical evidence on variation and trends, the countries examined thus seemed to follow 'model-specific' routes, also referred to as path dependency. Based on the analysis of two decades of changes we therefore find it unlikely that the Nordic countries

will give up their distinct social policy model, or that others will adopt the same type and scope of policies prevalent in the Nordic countries. Therefore, some (new) version of the Nordic welfare model may well continue to be distinct – the Nordic welfare states are certainly not facing their immediate demise. In a nutshell, European welfare reform has been characterized by parallel trends that have meant persistent diversity among welfare regimes.

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RESUMÉ

Tendances Parallèles et Diversité Persistante – l'État Providence des Pays Nordiques dans un Contexte Européen et Mondial

Les analystes de l'État providence s'entendent largement sur la thèse que l'État providence n'a pas subi de restriction substantielle. A contrario, face à la mondialisation, à l'intégration européenne et aux pressions internes, il se dessine un processus de restructuration de l'État providence. Il n'en reste pas moins la question de savoir si la réforme de l'État providence a eu un effet convergent sur le plan européen? Cet article fait état de l'incidence des réformes sur la modélisation de l'État providence vers la fin des années 1990 et de ses conséquences multiples pour les systèmes de protection sociale des pays d'Europe occidentale au cours des deux dernières décennies. L'article arrive à la conclusion que la mutation de l'État providence a enclenché un processus de rapprochement dans certains domaines, et que cette évolution a été marquée par des tendances parallèles identifiables dans différents États providence. Ces tendances parallèles ont en revanche entraîné une diversité persistante parmi les différents régimes de protection sociale.

RESUMEN

Tendencias Paralelas y Persistencia de la Diversidad en los Estados de Bienestar Nórdicos en el Contexto Europeo y Global

Existe consenso entre los investigadores del estado de bienestar de que dicho estado no ha sido disminuido de manera fundamental. Por el contrario, se está dando un proceso de reestructuración como respuesta a la globalización, integración europea y presiones internas. Sin embargo, subsiste la pregunta de si la reforma del estado de bienestar ha llevado a la convergencia en el ámbito europeo. Este artículo da cuenta de cómo las reformas afectaron al modelo europeo de estado de bienestar a fines de los años 90, a partir de los principales resultados de un proyecto de investigación empírico en gran escala donde se comparan los ajustes del estado de bienestar y sus consecuencias en varias dimensiones de los estados de bienestar de Europa Occidental en las últimas dos décadas. Se llega a la conclusión de que el cambio del estado de bienestar ha permitido la convergencia en algunas áreas pero, sobre todo, se ha caracterizado por tendencias paralelas que pueden identificarse en diferentes estados de bienestar. Tales tendencias paralelas han conducido a una persistente diversidad entre los regímenes de bienestar.

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