



Welfare State in a Fair Society? Post-Industrial Finland as a Case Study

Juho Saari

INTRODUCTION

Since the late twentieth century, prominent scholars from numerous disciplines and different countries have claimed that *the institutional framework* of the welfare state (WS) is or will be in a state of permanent crisis. In particular, such permanent fiscal, systemic, or legitimacy crises emerged (at least in the literature) in the late 1970s, early 1990s, and late 2000s, and of course, most recently during the Covid-19 pandemic around the early 2020s. Furthermore, there have been numerous analyses *on the transformation of the fabric and dynamics of societies*, claiming major negative trends due to globalization, individualization, or acceleration. Besides the different so-called nightmare *Zeitdiagnoses*, where everything that is relevant to the quality of life of well-embedded and economically secured social groups becomes uncertain, liquid, and/or about to melt or collapse, there have been many more systematic, data-oriented studies. For instance, since the turn of the millennium, systematic analytical attention has been

J. Saari (✉)
Tampere University, Tampere, Finland
e-mail: juho.saari@tuni.fi

© The Author(s) 2023
P. Haapala et al. (eds.), *Experiencing Society and the Lived Welfare State*, Palgrave Studies in the History of Experience,
https://doi.org/10.1007/978-3-031-21663-3_15

devoted to inequalities of different kinds. Consequently, inequalities have gained a firm position in political agendas in most Western countries.

Finland is no different in this respect. Since the mid-1950s, there have been numerous Finnish Welfare State (FWS) crisis assessments in the media, political rhetoric, or academic debates and publications, most of which have focused on crumbling fiscal foundations or vanishing legitimacy (mainly due to welfare dependency but also due to neoliberalism or new public management). In particular, the banking, fiscal, and economic crises of the early 1990s, which were among the most severe ever in the OECD countries,¹ resulted in significant volumes of doomsday welfare state literature, claiming permanent failure and proposing radical solutions. However, follow-up studies and time series show that none of these doomsday scenarios have materialized to a significant extent, at least not before 2021. The same applies, roughly, to inequalities and poverty. Empirical evidence on increasing inequalities is quite limited among 99 percent of the population (the very wealthy are a different story), and most empirical studies also show no changing trends in poverty either in population or those in working life during the period of the last twenty-five years or so. The same applies to the distribution of resources between socioeconomic groups. In short, the FWS has proven to be quite resilient and adaptive, inequalities have been generally stable, and Finns have faced more continuity rather than change in their quality of life.²

However, Finns *experience* these institutional and distributional changes differently. Several studies, some of which I shall return to later, show that Finns, while strongly supporting the FWS and being generally satisfied with their lives, quite collectively also assume that the coalition governments since the 2000s have been intentionally rolling back the FWS, and they are deeply worried about inequalities of different kinds (including those in income, housing, labor markets, districts, and health). In fact, both of these experiences—retrenchment of the FWS and increasing inequalities—have been among the top worries in Finland in recent years. Combining these two strands of subjective evidence, one occasionally

¹ For an overview, see Jonoug, L., Kiander, J., and Vartia, P. (eds.) (2009). *The great financial crisis in Finland and Sweden: The Nordic experience of financial liberalization*. Edward Elgar.

² Kestilä, L. and Karvonen, S. (eds.) (2018). *Suomalaisten hyvinvointi*. THL; Saari, J. and Tynkkynen, L.-K. (2020). Still holding its breath: The Finnish welfare system under reform. In S. Blum, J. Kuhlmann, and K. Schubert (eds.), *Routledge handbook of European welfare systems*. Routledge, 182–201.

witnesses quite a negative *Zeitgeist* in terms of the current FWS state and society. Consequently, several books and numerous articles, including one by the author of this chapter,³ have subtitles like “x in an unequal society,” without a question mark at the end of the title.

In this chapter, I temporarily turn the tables and argue that despite criticism, institutionally the FWS has a strong legitimacy both fiscally and politically (rather than being at the point of collapse), and Finns also experience their society as fair (rather than unequal). This kind of optimistic approach that some readers may find somewhat provocative—given that it contradicts with the mainstream view—is relatively rare in the (F)WS literature. To my knowledge, no socio-political book subtitled “the flourishing welfare state in a fair society” exists, and probably some think that such a book is not worth writing in a democratic society. It indeed is understandable, as the esteemed social policy scholars tend, for a variety of probably well-justified reasons, to focus on challenges in the institutional frameworks of the WSs and social problems in the social fabric, and quite systematically sideline the positive news and results from their analysis as socio-politically irrelevant. However, positive thinking is occasionally useful, as it may open some new, hopefully fruitful perspectives on the FWS and society in general.

I will mainly but briefly draw from the recent literature on the moral and emotional foundations of societies.⁴ The main argument here is that the preferences of prosocial humans also have endogenous components that are linked in positive or negative experiences of repeated encounters with the WS. The empirical focus is mainly the period between the early 2010s and early 2020s. First, I introduce the FWS to the reader not so familiar with its fiscal and institutional components. Second, I analyze how Finns experience the FWS and assess its legitimacy. Third, in a comparative part on fairness, I will investigate how different comparative social justice indexes and perceived fairness fit together comparatively and in Finland. A new dataset has been constructed for this purpose. Finally, in order to update the insights, I share some new perspectives on fairness during the Covid-19 pandemic in Finland. It is clear that this kind of fairness narrative (instead of the inequality narrative) has some consequences for

³ Saari, J. (2020). *Samassa veneessä: Hyvinvointivaltio eriarvoistuneessa yhteiskunnassa*. Docendo.

⁴ Bowles, S. (2016). *The moral economy: Why good incentives are no substitute for good citizens*. Yale University Press.

understanding how people experience their lives in Finnish society. The chapter ends with some conclusions.

FINNISH WELFARE STATE: FRAMEWORK OF EXPERIENCE

Before we enter into the empirical analysis that visualizes and analyzes the experiences, one should have a rough idea what we are precisely talking about when we are discussing the WS. Countless books and articles have been written on this topic. However, only a limited consensus has emerged in this literature as regards the foundations and institutional frameworks of the WS. Regardless, one can claim as a preliminary consensus that fundamentally the WS is about centralized redistribution and the regulation of resources of different kinds (transfers and services) between different groups of individuals facing different politically recognized social risks.⁵ Social risks, in turn, are limited and well-defined (and occasionally repetitive) spells in peoples' lives that burden them and, if not sufficiently buffered and effectively governed, limit their life chances. Political and corporatist actors have first identified and then differentiated social risks from each other over time, and, in later decades, each of the social risks has evolved quite complex and internally incoherent structures of governance.

Classification of these social risks may occasionally vary, and some international agreements have slightly different categories, but one may list ten categories of social risks in advanced welfare states in the following way. The first four categories focus on the population outside the labor markets, including young children, the disabled, the sick, and the elderly, and include large numbers of transfers, services, fringe benefits, subsidies, regulations, and so on. The following four categories interplay with labor markets, including the reconciliation of work and family (including transfers, services, and regulation), housing (including transfers, subsidies, and regulation), unemployment (including transfers, services, and regulation), and transfers supporting education (which for the most part is outside the concept of the redistributive welfare state). The final two categories, excessive personal debts and immigration, have again different social mechanisms, services and transfers, and governance structures.⁶

⁵ See the details in Saari, J. (2012). Double transformation: How to adjust institutional social policy? In G. G. Cohen, B. W. Ansell, J. Gingrich, and R. Cox (eds.), *Social policy in the smaller European Union states*. Berghahn Books, 59–80.

⁶ Saari and Tynkkynen (2020), 182–201.

Historically, if one abstracts sufficiently, the FWS first covered the social risks of those outside the labor market, then expanded to cover the interplay of social risks and labor markets. The former wave can roughly be dated to between the 1920s and late 1960s, while the latter dates from the early 1970s until the late 1980s. Fiscally, the former wave is evidently far more important than the latter. Finally, excessive debts in households and immigration were defined as social risks by the government only after the early 1990s recession and EU membership (transition from 1992, full membership in 1995). Overall, it is sufficient to say that over a period of 100 years or so, the FWS has expanded from modest origins to very comprehensive governance structures governing all major social risks and covering most social problems.⁷

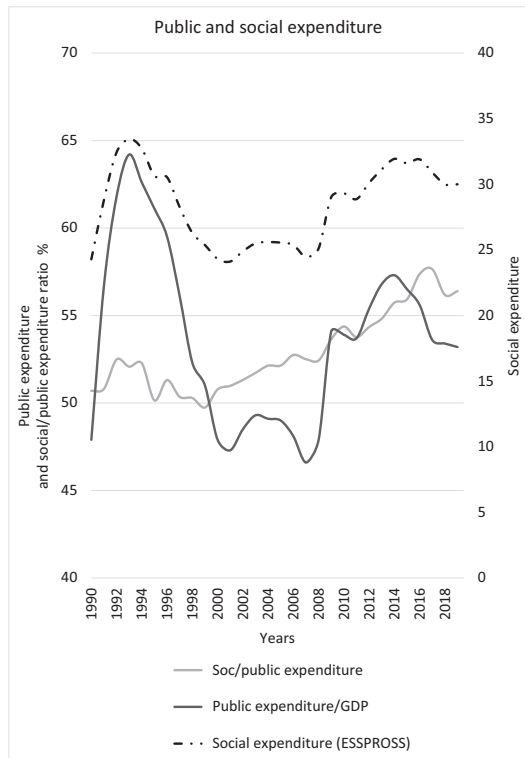
In addition to these ten categories of social risks (and the list is not exhaustive), there exist governance structures for social problems of different kinds. Again, this is a quite complex group of social problems. Some of them have their origins in social order (e.g., services in prisons, shelters, and foster care), while others focus on the causes and consequences of asocial behavior that have negative long-term consequences for the health and well-being of vulnerable individuals. However, they also share certain characteristics, including the non-specific length of use of services and transfers and the wicked nature of the cases and issues.

Approaching the institutional framework of the FWS from this angle has several advantages. First, it integrates transfers, services, and regulations of different kinds into one analytical framework, instead of treating them differently and in a fragmentary manner, and consequently, it treats them as functional substitutes and complementary arrangements related to certain social risks. Second, instead of focusing on institutional changes in certain specific elements, like certain transfers, it is a more comprehensive approach to the institutional changes of the WS that takes into account policy shifts from transfers and societal services (or transfers in kind), and back, and policy substitutes (e.g., education services replace active labor market policy measures) and complementaries (e.g., transfers and services are tightly integrated). As this study (and the book) focuses mainly on the *experiences* of the FWS that do not necessarily rely on so-called informed (well-grounded) preferences, there is no need to further scrutinize any institutional designs of the FWS in a more thorough way.

⁷Saari and Tynkkynen (2020), 182–201.

Fiscally, Finland's proportion of social expenditure of GDP and its share of general public expenditure is among the highest in the world. Eurostat's gross social expenditure statistics indicate that Finland is regularly in the top three, together with France and Denmark, all of which spend around 30 percent of GDP.⁸ An aggregated time series on Finland is given in Fig. 15.1. Again, without going into the details here, it shows that the social expenditure/GDP ratio has increased from 25 to 30 percent since the turn of the millennium. In real terms, if one excludes fluctuations in expenditure among the services and benefits for the working-age

Fig. 15.1 Social expenditure as a proportion of GDP and as a share of general public expenditure (%), Finland 1990–2019 (National Accounts database, own calculations)



⁸ Net social expenditure data result in somewhat different conclusions, but they are not relevant here.

population that are due to economic and fiscal cycles,⁹ one can identify a steady but accelerating increase in total social expenditure. Figure 15.1 also implies that social expenditure is gradually crowding out other categories of public expenditure, indicating that in the long run there will be major cuts in other components, like education, research, innovation, and development, if the public expenditure/GDP ratio remains stable as planned and economic and employment performance do not significantly and permanently improve.

Within social expenditure, the benefits and services that are related to a steady accelerating demographic change have recently been crowding out other social expenditures and will likely do so in the future. This is quite problematic, as the lower fertility rate may politically require some additional transfers for families with children, although evidence on the positive effects of transfers on fertility is mostly limited and sometimes contradictory. Furthermore, while the FWS has in recent years generated excessive public debt, the actual net costs of the public deficit have been quite modest due to low (and occasionally negative) interest rates; it is also likely to remain so, as Finland tends to have a reputation as a country that pays its debts. Overall, institutionally and fiscally the FWS was on solid ground at least until the Covid-19 pandemic, which will be dealt with later in this chapter.

GOOD NEWS, PART I: THE LEGITIMATE WELFARE STATE

Above, I have presented some preliminary facts on the welfare state that provide initial counter-evidence against the retrenchment theses. Another issue is how Finns have experienced the FWS in recent decades. This is not an irrelevant issue, as the institutional framework of the FWS does not evolve in a vacuum or only in the contexts of fiscal issues and social risks. Rather, it relies on various informal institutions¹⁰ embedded in the fabric of society, like social norms, trust and social capital, and social acceptance of certain kinds of behavior (also known as social production functions). For instance, the same monetary incentive structures but different levels of

⁹Note, however, that after every economic and fiscal cycle, social expenditure in these categories remains at higher levels due to the hysteresis effect.

¹⁰For a more detailed account on the distinction between formal and informal institutions, see North, D. C. (1990). *Institutions, institutional change and economic performance*. Cambridge University Press.

social acceptance of using social benefits and services result in varying amounts and lengths of benefit and service spells, particularly among the working-age population.¹¹ The same applies to active labor market policies, where identical monetary incentives may generate different outcomes in different countries with different social norms and levels of social acceptance. Furthermore, the legitimacy of the institutional framework of the WS also has some consequences for its change. To maintain the FWS in the long run, it is necessary for it to have popular support. Similarly, some common understanding of the state of the social fabric is needed, particularly when the resources available or their quality is in decline.

Another issue is to what extent preferences are endogenous—that is, shaped by repetitive encounters and experiences. This issue has been a hot potato in economics and analytical sociology, as scholars have investigated the impact of market experience on human behavior in different cultures and institutional frameworks. For social policy experts, the issue is simpler. It is obvious that citizens' preferences regarding the FWS (or any WS, for that matter) are to some extent endogenous—that is, living in the welfare state and repeatedly experiencing its transfers and services as a customer and citizen has some impact on the preferences of the person and his/her interpretation of the legitimacy of the FWS. How large “the experience impact” is and how different groups vary in this respect is a matter of debate.¹² However, it is also important to keep in mind that all persons using the same set of transfers and services very rarely experience them similarly.

In socio-political literature, the classic Marshallian (after T. H. Marshall) argument on endogenous preferences is that the shared experience as customers in different institutions of the welfare state replaces class-based status differences by social citizenship.¹³ Marshall's argument follows

¹¹ Extensive theoretical, institutional, and empirical analysis on welfare dependence is available in Saari, J. (ed.). (2017). *Sosiaaliturvariippuvuus*. Tampere University Press.

¹² Some cleverly designed studies on immigrants' attitudes indicate that it may be significant in this respect, showing, for instance, that immigrants tend to have roughly the same level of quality of life as the citizens of their current country of residence (rather than that of their origin), in particular in the Nordic countries. See Kangas, O. (2013). Somewhere over the high seas there is a land of my dreams: Happiness and life satisfaction among immigrants in Europe. In C. Marklund (ed.), *All well in the welfare state? Welfare, well-being and the politics of happiness*. Nordic Centre of Excellence NordWel, 135–167.

¹³ Marshall, T. H. (1963). Citizenship and social class. In T. H. Marshall (ed.), *Sociology at the crossroads and other essays*. Heinemann.

Weber's approach to status as a category of stratification. Indeed, there is also occasional evidence from Finland that citizenship-based entitlement (basically the right to have and to use transfers and services without individual-level administrative needs assessment and discretion) has had at least some consequences for Finns' preferences toward their WS and society.¹⁴ Occasionally people share some collective emotions as they received pensions for the very first time. This evidence, however, is on the founding decades of the welfare state, rather than in recent years. Furthermore, while Finland did have universal basic education and universal compulsory conscription (where all recruits started at the same position regardless of their socioeconomic group or education), within the WS there were (and are) several socially stratified services and transfers, including occupational health services and earnings-related benefits, that discourage the experience of shared social citizenship.

Finally, it is likely that the WS has institutionally become a more integrated part of everyday life. Instead of something political, challenging, novel, and exceptional (and therefore "artificial") to be hotly debated in different social forums, it has become apolitical, unchallenged, and more ordinary (and therefore "natural").¹⁵ As it experience-wise becomes increasingly self-evident, it is likely to generate fewer collective emotions, regardless of the fact that it provides increasingly larger coverage and governance of various social risks. It is like the air people breathe, something that self-evidently exists.

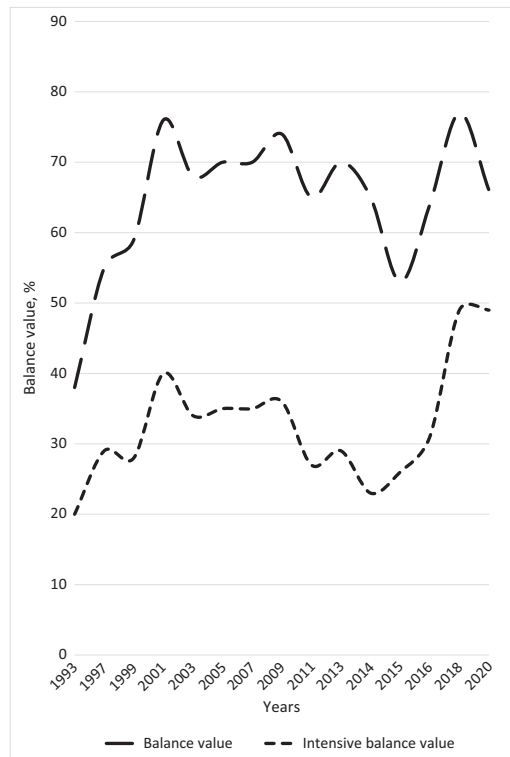
Ultimately, the shared experience of social citizenship is an empirical matter, something that surveys can to some extent illustrate. The survey is not a perfect tool, however. People have in general quite limited knowledge of the different characteristics of the FWS, and their opinions on the state of the WS and society are rarely well informed. There are also several well-known biases and framing effects in opinion polls. Furthermore, these opinion polls highlight certain dimensions of the WS and society while ignoring others. Finally, context has some impact. For instance, if the questionnaire focuses mainly on negative (positive) themes, it has a significant impact on the mood of the respondent, and consequently, on his/her answers.

¹⁴A classic statement on this is Siipi, J. (1967). *Ryysyrannasta hyvinvointivaltioon: Sosiaalinen kehitys itsenäisessä Suomessa*. Tammi.

¹⁵Peattie, L. and Rein, M. (1983). *Women's claims: A study in political economy*. Oxford University Press.

Previous opinion polls show that most Finns firmly support the welfare state. Only a limited number have intense preferences on the issue, but among them those who are strongly in favor clearly outnumber those who are strongly against. This is shown in Fig. 15.2, which covers 1993 to 2020. The wording in the questionnaire is quite strongly framed to emphasize both the costs and the importance of the FWS. The balance value is simply those in favor less those against. Intense balance value refers to those with intense preferences in favor of/against the WS. Those individuals who have intense preferences are likely to vote on the basis of their FWS experience (instead of, e.g., environmental policy or immigration). Here again, the formula is simply those intensively in favor less those intensively against the FWS.

Fig. 15.2 Welfare state opinion polls, Finland 1993–2020 (The EVA-microdata-archive, own calculations)



While there have been some minor changes over time that are mainly related to the economic and fiscal cycles, the overall picture is perhaps surprisingly stable over the decades.¹⁶ Public support, and hence the social legitimacy of the FWS, was the highest around the turn of the millennium and again during the late 2010s. It was at its lowest during the great crises of the early 1990s, when the doomsday scenarios and relatively harsh retrenchments de-legitimized the FWS, but it soon recovered. Every survey since the mid-decade crisis of the early 1990s until 2000 indicates the higher social legitimacy of the FWS. Another low point for legitimacy was in 2015, again when economic performance was sluggish and the public economy stagnated, but again the social legitimacy of the FWS recovered as soon as the economic performance improved. More broadly, it seems that after every structural change and economic recession, Finns clearly show their loyalty toward the FWS as a pre-emptive act against the possible stabilizing cuts that are likely under those circumstances.

Clearly, the FWS has not experienced a legitimacy crisis since the mid-1990s. Quite the contrary: Finns have experienced the WS as a worthy public investment. Furthermore, since the late 1960s onward, no political party has promoted major cuts in benefits and services in their electoral campaigns in national elections. To put it bluntly, the road to power in Finland is in most cases paved with promises of better benefits and services. The minor exceptions are parties that have campaigned on other agendas, like national defense in the 1950s or immigration in the 2010s.

However, this shining picture does not tell the full story, and not everyone's preferences are equally endogenous as regards the FWS—that is, not everybody experiences their various encounters with the FWS similarly. Interests and values clearly matter in their mental models. Firstly, a more detailed analysis of the 2020 data shown above reveals that only 20 percent of the conservative National Coalition Party and populist (nationalist, anti-immigrant) Finns Party voters are fully in favor of the FWS: In fact, 14 percent of Finns Party voters strongly disagree with the FWS, which is one of the highest values ever recorded in Finland. Why this is the case remains somewhat unclear, but most likely these voters are small-scale entrepreneurs that find the cost-benefit ratio poor or immigration critics who assess that too large a proportion of expenditure is allocated to

¹⁶Other datasets with different wordings but similar intentions, not shown here, that reach back to the 1970s, show a similar pattern.

immigrants. On the other end of the scale, Social Democrat and Left Alliance voters are strongly in favor of the FWS.

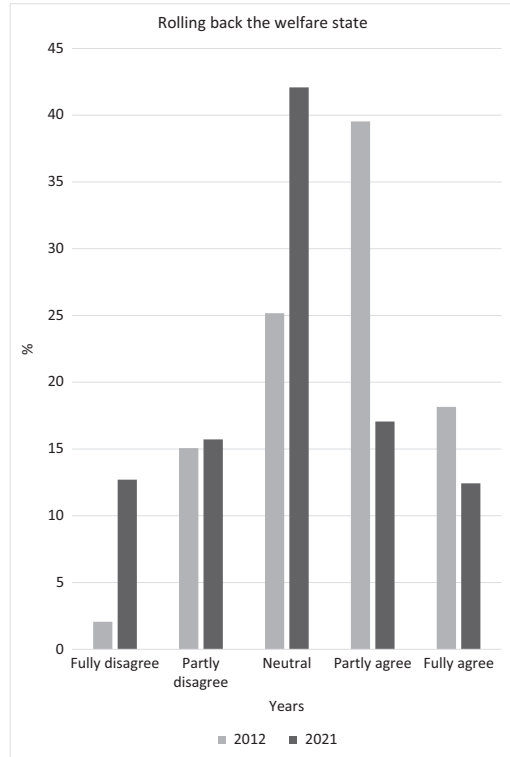
Secondly, the surveys used above and available elsewhere also show that Finland is quite polarized as regards opinions on the dependence effect resulting from the comprehensive social policy. These datasets, for instance Candidates to the Parliament Data 2015 and the European Social Survey 2018, also show that these experiences are politically strongly value loaded. In other words, rather than, for instance, age, gender, income decile, or socioeconomic group, endogenous political values result in a highly polarized picture. Supporters of the right end of the political spectrum (the National Coalition Party, the Finns Party, the Swedish People's Party, and the Centre Party) argue very strongly in favor of the disincentive effect, whereas the left-wing parties (most importantly the Social Democrats, Greens, and Left Alliance) argue the opposite.¹⁷

Consequently, it is quite evident that different coalitions—and Finland always has coalition governments due to the d'Hondt electoral system—have different policy preferences as regards the disincentive effects (e.g., whether the FWS makes people “lazy”). This resulted in a policy shift toward more activating policies in 2015 when three parties on the right end of the political spectrum formed the government, and after their losses in the 2019 national elections, another policy shift toward more rights-based policies. Similarly, in services, the 2015 government tended to perceive the (quasi-)market mechanism in social and health services more positively than the latter governments, which relied more on the chain of command within the public sector.

Furthermore, while in general supporting the FWS, Finns have some doubts. This is illustrated by two nationally representative datasets, collected in 2012 and 2021, with questions on rolling back the welfare state and the unstable foundations of financing (Figs. 15.3 and 15.4). Their historical and contextual situations differ. The former data reflect the experience of social citizens after the 2011 elections that followed the global economic crisis and resulted in the National Coalition-led conservative government with numerous ideas aimed at promoting competitiveness and structural reforms. The distribution of both variables indicates that Finns experienced some serious worries due to the deficit (and more broadly the unsound basis of funding) and assumed that the government was likely making some retrenchments. The latter data were collected in

¹⁷ Saari (ed.) (2017).

Fig. 15.3 Opinion poll on rolling back the welfare state, Finland 2012 and 2021 (WEBE 2012 and 2021 microdata, own calculations)

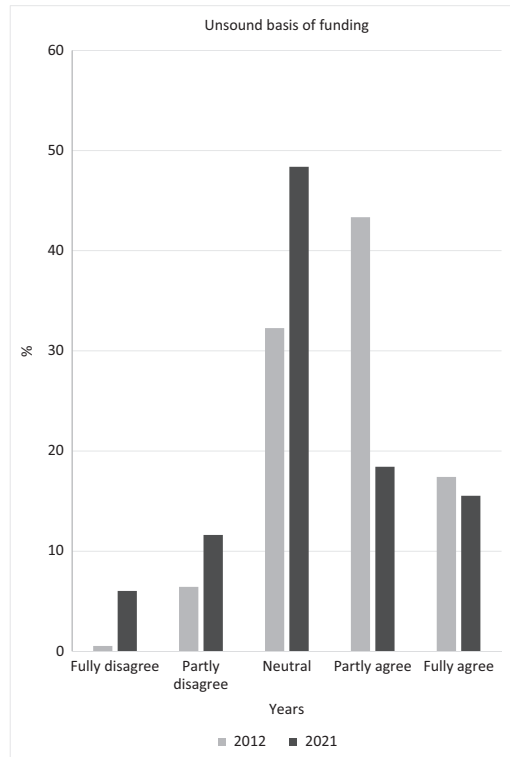


the middle of the Covid-19 pandemic, when the Social Democratic-led center-left government (with the National Coalition and Finns parties in opposition) ruled the country with a strong pro-FWS agenda. The latter data point represents a different kind of experience. Finns tended to more strongly believe that the government was not promoting a roll-back of the WS and were more confident regarding its funding. Again, the supporters of different parties had strongly divergent preferences on these questions.

POSITIVE NEWS, PART II: FAIR SOCIETY

Previous opinion poll studies regularly show that Finns have an exceptional “passion for equality”—that is, they highly value equality and are worried about inequalities of various kinds and, furthermore, claim that

Fig. 15.4 Opinion poll on unsound basis of welfare state funding, Finland 2012 and 2021 (WEBE 2012 and 2021 microdata, own calculations)



society is rapidly becoming more unequal. While seriously worried about growing inequality as a trend, they also strongly argue for equality. For instance, in the European Social Survey 2018, roughly 70 percent of Finns agreed with the statement that “For a fair society, differences in people’s standards of living should be small.” The proportion of those in favor of equality was the highest among the structurally already equal countries, but it was somewhat higher in Portugal, Greece, and other more structurally unequal countries that had suffered heavily in recent years.

Rather surprisingly, however, once asked whether they had been in person treated in an unequal manner, the answers were reversed: most Finns claimed they had been personally treated quite fairly. Fair treatment in an unequal society sounds puzzling. Therefore, the issue requires some scrutiny. Justice and fairness are concepts that are notoriously difficult to grasp

and measure. Quite often people have different opinions on them, and even within a nation, people have widely different opinions on what is just. To illustrate this, around 2016 the Ministry of Justice commissioned a study on Finns' sense of criminal justice, as in political debate it was occasionally argued that sentences do not correspond with the public's sense of justice. A survey where the respondents assessed seven different crime cases showed quite clearly that Finns had diverging opinions on the length of the prison sentences, and the framing of the questions had a significant impact on the results. This also applied to violence in public places, sex crimes, domestic violence, driving under the influence, and other similar issues. Clearly, regardless of similar or shared cultural background, Finns do not experience crimes similarly and, consequently, do not judge them in identical ways.¹⁸

To make some progress on assessing whether Finland is a just and fair country, the study should contain some data both on the just distribution of resources and the perceived (subjective) component and on some comparative observations. The best available quantitative study on resource-based justice in society is arguably that of the Bertelsmann Foundation.¹⁹ Their study, which is published annually, is based on a composite index covering different domains of justice, including health, the labor market, education, and income. It is widely used, technically sound, and probably more reliable than any other comparative index on the issue. Furthermore, as all variables included in the index have at least some policy relevance and they also directly integrate into the institutional frameworks of WSs, the social justice index also measures—to some extent at least—the functioning of the WS in that society.

Experienced fairness can be assessed in different ways. Perceived fairness data are available from the European Union in the form of the Eurobarometer on fairness, gathered around 2018. In this survey, there are numerous questions on the experienced fairness of the society.²⁰ Here, a simple statement question with the following wording “My life is mostly

¹⁸Kääriäinen, J. (2017). *Seitsemän rikostapausta: Käräjätuomareiden arvioima rangaistusikäytännöt ja väestön rangaistusvalinnat*. Helsingin yliopisto, Kriminologian ja oikeuspolitiikan instituutti.

¹⁹Hellmann, T, Schmidt, P., and Helle, S.M. (2019). *Social justice in the EU and OECD: Index Report 2019*. Bertelsmann Foundation.

²⁰Special Eurobarometer 471: Fairness, inequality and inter-generational mobility (2018). Retrieved January 21, 2022, from http://data.europa.eu/euodp/en/data/dataset/S2166_88_4_471_ENG.

fair” is applied to assess the fairness of the society. Roughly 75 percent of Finnish respondents agreed either partly or fully with this statement.

Scatter plotting these two variables reveals something about justice and fairness in Finland from a comparative perspective. On the scale, the higher the index score, the higher the level of social justice. Conversely, the lower the value of perceived fairness in the figure, the higher the perceived fairness in the experienced reality (i.e., the scale is reversed). The results shown in Fig. 15.5 are easily understandable. The welfare state proxy (the social justice index of the Bertelsmann Foundation) seems to correlate quite strongly with the fairness experience. Denmark, Finland, Sweden, and Austria are among the countries where a high score on the social justice index and experienced fairness intersect. On the other hand, both of them are missing in Greece, where the index score is low and people feel that society is unfair. The results are roughly similar to the other fairness questions (not shown here) included in the questionnaire.

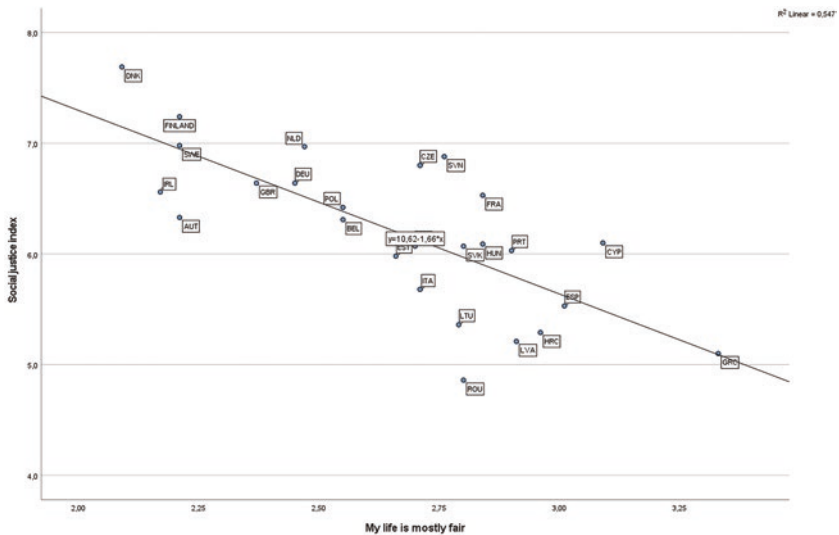


Fig. 15.5 Resource-based and perceived fairness, European countries 2018 (Hellmann, T, Schmidt, P., and Helle, S.M. (2019). Social justice in the EU and OECD: Index Report 2019 Bertelsmann Foundation, and Special Eurobarometer 471, own calculations)

However, before one draws any conclusions, some caveats are required. It is common knowledge that comparative studies including the Nordic countries (Finland and the Scandinavian countries) often end up with confusing results, as all the welfare-related variables available correlate heavily. The quantitative results provided here should mainly (unless stated otherwise) be interpreted as correlations that (in most cases) describe the direction and magnitude of the relationship between the two variables. Albeit often informative and capable of providing useful insights, correlations should not be confused with causal relationships, especially in this kind of situation. For instance, a recent study on happiness in Scandinavia faced this challenge. One may replace any explanatory variable with another or exclude some variables, or add a new variable, and end up with a well-grounded outcome supported by strong correlations.²¹

More interestingly, can we make an educated guess as to the reason for this success story? The classic answer relies on the idea that the so-called costly compromises—that is, contradictions between various structural-political actors (the parties, interest groups, and social partners)—have been regulated by making deals based on comprehensive packages of items. As a part of the package, all actors involved achieved some of their objectives and therefore considered the packages as “fair.” Here, agenda-setting skills play a crucial role. A more recent answer based on this study may rely on the everyday experience of the citizen repeatedly encountering their transfers and services in different phases of life. It works sufficiently well for them; consequently, they find the FWS legitimate or at least they do not actively and collectively imagine any feasible alternative. Therefore, the old saying “if it ain’t broke, don’t fix it” also applies to the FWS.

²¹ Happiness can be explained by trust, security, income distribution, and so on. Roughly, this also applies to within-country microdata. Martela, F., Greve, B., Rothstein, B., and Saari, J. (2021). The Nordic exceptionalism: What explains why the Nordic countries are constantly among the happiest in the world. In J. F. Helliwell, R. Layard, J. D. Sachs, and J.-E. De Neve (eds.), *World Happiness Report 2020*, 128–146. Retrieved January 21, 2022, from <https://worldhappiness.report/ed/2020/the-nordic-exceptionalism-what-explains-why-the-nordic-countries-are-constantly-among-the-happiest-in-the-world/>.

POSITIVE NEWS, PART III: COVID-19 AND THE JUST SOCIETY

Since the beginning of the Covid-19 pandemic, scholars have assessed its consequences for the WS and societies. Around the time of writing in January 2022, it is clearly too early to make any definitive statements on the future of FWS in a post-pandemic world. Previous crises seem to indicate that it requires roughly a decade's lag to be able to reliably assess such consequences. Furthermore, forward-looking assessments made in the middle of the transition tend to be more negative than backward-looking assessments made ten years later.

Along with many other countries, Finland had an early lockdown in April 2020, which seemed to be efficient. In order to buffer the economic and social costs of the lockdown and other subsequent restrictions, no less than five supplementary budgets were accepted. As time has progressed, assessments on the consequences of the pandemic have turned from depressive and negative to quite positive.

From an FWS institutional perspective and as of the end of 2021, the pandemic has resulted in no significant institutional changes in the FWS. Indeed, in all major indicators relevant to social policy, there was more continuity than disruption during the first eighteen months of the pandemic.²² However, the expenditure levels have escalated, in particular in the state's budget (less so in those of the municipalities and social security funds). As the state's annual budgets have been funded by borrowing, this may have some negative consequences later, assuming significant increases in interest rates. However, this is not an urgent problem in 2022.

Different authorities have systematically monitored different aspects of opinion formation during the pandemic crisis in order to assess how the citizens have experienced the pandemic. Overall, citizens seem to be quite

²²For instance, consider social assistance. In the Finnish institutional framework, social assistance is a benefit that is granted either as a supplementary benefit to add to certain other benefits or alternatively as a full benefit for those without any other income aside from housing assistance. Therefore, it is quite a good indicator of social change. No predicted increases in social expenditure have occurred if one polishes the data from the limited period increase on social assistance granted by the government, who decided to implement the emergency social assistance benefit to compensate for the assumed losses and additional costs of the poorest sections of the society. Such a benefit increase was in fact socio-politically groundless and created poor incentives. It was also technically poorly targeted, as it went to single-person households instead of families, to which it was aimed.

pleased with the policies implemented. Comparatively, Finland scores very well among its peers in the European Union. More broadly, the pandemic—at least its three earliest waves—increased rather than decreased the popular support for the government.

Bi- or tri-monthly results on the perceived fairness of Finnish society are visualized in Fig. 15.6. The results are based on a nationally representative survey collected by Statistics Finland and made available as microdata to researchers. A statement phrased “Finland is a fair/just country” allows answers on a scale of 1–10, where 1 is totally unfair (unjust) and 10 totally fair (just). Note that in the Finnish language the difference between fair and just (or unfair and unjust) is not statistically significant, as the meanings of the words overlap. For the sake of visibility, the 1–10 scale has been merged into five columns in the figure.

Again, the results require only limited numbers of comments, as the figure is mostly self-explanatory. It shows that most Finns have experienced Finland as a fair society during the pandemic. In every bi-monthly

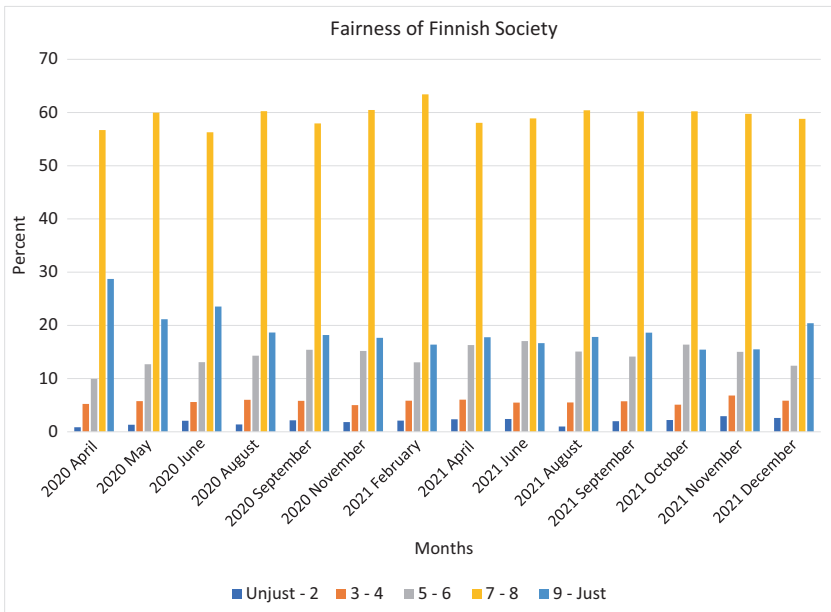


Fig. 15.6 Perceived justice during the Covid-19 pandemic, Finland 2020–21 (Statistics Finland, microdata, own calculations)

sample, the majority of respondents shared this idea. The negative side here is that a minor proportion perceive society as unfair. As no data are available from the pre-pandemic phase, it is not possible to reliably comment on their pre-pandemic proportion. However, my educated guess is that it has remained roughly the same over the decades and the pandemic has had only a limited impact on the proportion.

Even the latest round has a very high mode value and quite good distribution leading toward high values. It indicates that the pandemic did not have a corrosive impact on the social fabric of Finland, at least in the short term. The experience of societal fairness is solid as a rock. In the longer term, it is safe to say that the jury is still out for a decade in this respect. Furthermore, whatever happens in 2022 and 2023 with the pandemic remains to be seen. The famous owl of Minerva is still awaiting the fall of dusk.

DISCUSSION: AN EXCEPTIONAL COUNTRY?

Different theoretical perspectives result in different outcomes. If one is interested in the collapse of the welfare state and the social problems of suffering people, one can find evidence relevant for this position, and if possible, probably gain some political support for reforms aimed at reversing these trends. The same applies if one is interested in finding a successful WS and relatively happy people; however, contrary to the previous position, this “positive position” is not likely to gain political support, as there is no clear political interpretation of this result.

This chapter has focused on the latter approach and underlines the positive experience of Finns and the FWS in recent years. The results here seem to be quite straightforward. As regards the institutional developments of the FWS since the early 1990s, the results indicate that its institutional framework has been quite solid, though it has regularly required some adjustment and its expenditure is crowding out other public expenditure. In terms of experience, Finns experience their welfare state as legitimate and worth the expenditure, and they consider their society relatively just. Comparatively, the social justice index also heavily correlates with the fairness assessments. It is likely that the FWS contributes quite significantly to the experience of the fair society. To some extent, the opposite is also true, as the experience of living in the cradle-to-grave FWS is likely to generate some endogenous preferences that are positive for the FWS. Finally, the data on sense of justice collected bi- or tri-monthly since

the beginning of the Covid-19 pandemic also indicate that Finland has not significantly lost its legitimacy as a society. The transitions, if any, are minor.

More broadly, this study quite straightforwardly shows that “the crisis of the welfare state approach” has not gained support in recent FWS reforms, nor does it reflect people’s perceived experience in Finnish society. The institutional framework of the FWS has well-grounded foundations that are not seriously contested by any significant party, although they and their supporters tend to have different opinions on their incentive effects and other side effects. Policy wise, this indicates that no mainstream party will try to abolish the FWS while campaigning. While in office, parties reform the FWS at its margins and gradually within the existing policy paradigm and institutional framework.

The counterargument against the fairness position is also straightforward: The focus on national averages hinders distributive concerns, and people in the different ruts of poverty and exclusion probably do not share these positive results. One may also legitimately argue that some key results are valid only in certain urban areas in Finland, and less so in (at least relatively speaking) regressive agrarian regions. Furthermore, in fact some wealthy zip code areas in urban Finland have higher levels of inequality in resources than many unequal countries. It is also likely that some wealthy regions of large countries with high populations (like the US, Germany, or Canada) may have more positive results in terms of quality of life than Scandinavian countries.

Finally, some results can quite easily be dismissed due to Finnish exceptionalism. One may convincingly argue that Finland and the Scandinavian countries (Norway, Denmark, Sweden) have long had diverging trajectories representing a tiny part (less than one large metropolis) of the world’s population and, while interesting, are unlikely exceptions from more general and, arguably, more negative developments. Indeed, in many ways these small Nordic countries are examples of an outdated nationalism that results in overweighting their positions in comparative data.

Open Access This chapter is licensed under the terms of the Creative Commons Attribution 4.0 International License (<http://creativecommons.org/licenses/by/4.0/>), which permits use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons licence and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons licence, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons licence and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

