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4 Nordic welfare states: up to challenge?

Abstract: This chapter analyses the extent to which the contemporary Nordic model is up to the challenge in the current economic and demographic landscape. The chapter first theorises the Nordic welfare states by discussing the four ingredients of the Nordic model: 1) universal welfare state provision, 2) extensive public services, 3) high labour market participation, and 4) gender equality in politics and practices. These dimensions are then empirically investigated by analysing the key welfare state indicators for the last 10 years (2010–2020) in Sweden, Denmark, Norway, Finland and Iceland. The analysis confirms the specificity of Nordic welfare states when compared to the EU27 or OECD averages. In general, the Nordic countries continue to entail generous systems of welfare provision and public services and fuel high labour market participation and gender equality. Yet, there are cracks in the contemporary Nordic model that suggest that universalism may not always be compatible with changing world. The future of the Nordic model seems to be up to the challenge, but it needs to fit with new social and economic conditions and to mitigate income and social inequalities, to continue to be effective also in the coming decades.

Keywords: Nordic welfare states, Nordic model, universalism, public services, labour market participation, gender equality, inequality, Sweden, Finland, Denmark, Norway, Iceland

4.1 Introduction

Numerous accounts describe and analyse “The Nordic Model” (Kosonen 1998; Stephens 1996; Greve 2004; 2018, Kettunen et al. 2015; Kautto et al. 2001; Dahl 2012; Kautto and Kvist 2002; Kildal and Kuhnle 2007; Kuhle 2019; Kvist and Saari 2007; Kvist and Greve 2011; etc.) and show how the Nordic model entails generous universalist welfare state provision, extensive public services, high labour market participation, and strong ideology and practice of gender equality. The Nordic uniqueness is typically contrasted and constructed in relation to other European welfare states, most famously in the context of the Esping-Andersen (1990) welfare state regime typology. Although Esping-Andersen’s take was largely based on Sweden, the other Nordic countries (including Denmark, Norway, Finland and Iceland) constitute the exclusive membership of the “triple-A welfare states”. Or the “Good” welfare state, referring to Manow’s (2004) “Good, Bad, and Ugly” typology inspired by the classic spaghetti western film. “The Nordic model”, although inducing different meanings by different people (Kuisma 2016), has become a fashion brand and export product (for example to China see van Gerven and Yang 2017). Yet, the preservation of the Nordic model in the

current economic and demographic landscape is challenging. High spending combined with an ageing population threatens the long-term sustainability of the European welfare systems (see e.g. Schubert, Villota, and Kuhlmann 2016). This chapter analyses to what extent the contemporary Nordic model is up to the challenge.

4.2 Teasing out the Nordic Model

The recipe for the Nordic model commonly comprises the following four ingredients: 1) universal welfare state provision, 2) extensive public services, 3) high labour market participation, and 4) gender equality in politics and practices.

4.2.1 Universal welfare state provision

Much of the splendour of the Nordic model is based on its strong manifestation of *universalism*. Universalism has various dimensions and meanings (Anttonen et al. 2012; Anttonen 2002). In the context of the welfare state, universalism refers to a specific mechanism of redistribution and services covering all citizens without tangible requirements of need or past activities (see e.g. Kildal and Kuhnle 2007). Universality embraces an idea of inclusive membership and, unlike contribution-based systems (such as Bismarckian/employment-based and Beveridgean/national insurance), universalist models aim at guaranteeing equal rights. It does not entail a clear reciprocal relationship between the giver and the receiver and, in this way, universalism hinges on de-commodification, where welfare rights are not strongly tied to labour market participation (Esping-Andersen 1990). With this understanding, universalism is commonly contrasted with liberal selective welfare states (Anttonen et al. 2012), where eligibility is determined by means (Rothstein 1998) and/or by income test (Korpi and Palme 1998).

The question of whether the universalist model is a “leaky bucket” (Okun 1975) or an “irrigation system” (Korpi 1985) for prosperity and economic growth remains at the centre of lively academic discussion. In the seminal article, Korpi and Palme (1998) highlighted the greater redistributive success of universal welfare states in comparison to those countries with targeted programmes. A contemporary understanding tends to support the general understanding that more equal societies fare better (Wilkinson and Pickett 2009; Acemoglu and Robinson 2012). Although universalism underlining equality may suggest superiority of the Nordic model to other models, contrasting universal states with targeted systems and defining universalism as an antonym for targeting is problematic. Van Oorschot and Roosma (2015) have made a valid point suggesting that the dichotomy between universality and targeting “is a *matter of degree, not of essence*” (p. 8). For example, a child benefit provided to all households is a prime example of universalism by design, but in practice, child benefit system is

highly targeted in its effects. The system aims to improve the well-being of a selected population, in this case, households with children (see also Jacques and Noël 2018). The universality of the Nordic model demonstrates the difficulty of fitting ideal types with real-world practices. As Boldersen and Mabbett (1995, 119) almost three decades ago suggested, the complexity of national social systems, driven by the diversity of national systems (including universal, contribution-based and means-tested benefit under one policy domain) and many functional equivalents, makes welfare systems “mongrels” rather than “thoroughbreds”.

Recently the universalism of the Nordic Model has been questioned in the light of reforms increasing responsibilities and activation for the citizens (Hansen 2019; Johansson and Hvinden 2007) and targeting the redistribution to those most in need (Saikkonen and Ylikännö 2020; van Gerven and Nygård 2017). Therefore, universalism, as a core feature of the Nordic model, indicating the strength and persistence of shared ideals (Kuisma 2016; Béland et al. 2014; Béland 2009) of redistributing wealth to all citizens needs to be re-evaluated.

4.2.2 Public services

The Nordic exceptionalism also includes a strong reliance on public delivery of goods and services. Manifested as “peculiar stateness” of the Nordic countries (Pedersen and Kuhnle 2017, 4), state and local government share the responsibility of regulation and provision of taxation-based cash benefits as well as public services. Szebehely and Meagher (2018, 295–296) have identified six dimensions of universal social services in elderly care, but these dimensions easily lend themselves to understanding the Nordic public services more broadly. First, the Nordic states have established a legislated right to public services. A good example here is the individual right of children to childcare. Second, the rule-based rights covering all residents (or at least the entire category of the population). Third, the services are financed through general taxes, whereby risks are collectively shared. Fourth and fifth, public services are widely used (universal) and they are considered of good quality (for instance public education).

The defining feature of the Nordic model has been the public spending in kind, generating a strong network of public or semi-public services. The strong state-led interventions have been legitimated by their objectives to promote citizen equality (see also Pedersen and Kuhnle 2017). Public services extend far beyond the “core” services of health care and education and cover a wide range of preventive and mitigating social services. The feasibility of the large public sector has remained a point of concern (Lindbeck 1997), but at the same time, it is legitimated through its impact on the overall economy via investments in health, education and training. Whether the universalist model is still expected to “crowd out private insurance by providing good social services to all” (Korpi and Palme 1998), is questioned in studies discussing privatisation and marketisation. Marketisation has transformed the many traditional areas of

the public sector, including elderly care, household services and employment services (Brennan et al. 2012; Anttonen and Häikiö 2011; van Berkel and van der Aa 2005). Szebehely and Meagher (2018) for instance state that marketisation has led to de-universalisation in the context of elderly care services in Finland, Sweden, Denmark and Norway.

4.2.3 High labour market participation

Although the Nordic countries are successful in generating high employment and keeping unemployment low, they are, however, vulnerable to external shocks as small open economies (Katzenstein 1985). The countries rely heavily on exports, and during economic shocks (like economic recession or the current COVID-19 crisis and closing of borders) strengthening export and businesses and maintaining competitiveness has been crucial. Trade unions and corporatism have played an important role in organising social security and supporting workers in the labour market during these economic cycles. The capability of Keynesian economics has indeed been questioned in the age of the global economy, but the Nordic Model remains to support labour demand with extensive fiscal policy and active labour market policies (Greve et al. 2021) and combines generous unemployment benefits with the promotion of training, subsidised jobs and public support to return to employment. The priority of full employment, once central on the political agenda, has faded in the last decades, but the Nordic model remains committed to high employment for both genders.

Preceding the European Union's approach (van Gerven and Beckers 2009), and with the lead of Sweden, the Nordic countries were among the first to make the turn to active labour market policies in the 1990s. The Nordic activation model originated in the Swedish Rehn-Meinder model from the 1950s that combined Keynesian economic thinking with active labour market policies and state intervention in attempting to achieve full employment, economic growth and income equality. Based on OECD ALMP spending data, Bonoli (2009) still identifies a specific Nordic model of activation that puts "most emphasis on human capital investment, somewhat less on facilitating labour market re-entry and very little on direct job creation" (Bonoli 2009, 63). While prioritising training and social investment, Bonoli (2009, 63) sees the Nordic model to be less punitive in its approach to labour promotion than for instance the workfare-induced liberal model. However, more recent research posits that a series of activation reforms in the Nordic states has led to considerably stricter benefit conditions for job seekers in the Nordic countries (Knotz 2020), or even shift to "workfare" in some Nordic countries (Denmark, but also Sweden and Finland) (Hultqvist and Nørup 2017).

4.2.4 Gender equality

Nordic welfare state: A woman's best friend. Or, as Ruth Lister (2009) asks, a Nordic Nirvana? These kinds of expressions are used to describe the egalitarian Nordic model advancing the equal treatment of men and women. Nordic models are seen to be family-friendly, providing generous family leave arrangements for both parents, combined with the universal, free or heavily subsidised childcare system, providing high-quality care for children. The core aspect behind the family policy is the promotion of gender equality for women (Teigen and Skjeie 2017). The public childcare system has been central, but gender equality is also promoted through (free) access to health, comprehensive public old-age care services as well as free education from pre-school to university. These arrangements have enabled women to pursue an independent career on (more or less) equal terms with men (Orloff 2001; Lewis 2006). At the same time, the expansion of the public sector (jobs) and female labour market participation have indeed mutually reinforced each other. The Nordic model's gender equality aims are seen to inspire the development of the European social investment model (Hemerijck 2012) and European gender equality (Stratigaki 2004).

4.3 Trends from the last 10 years

In international comparisons, the Nordic countries score high with various indicators, such as democracy, rule of law, income inequality, or – the factor causing many media headings – happiness (Martela et al. 2020). Many commentators explain the success to relate to the high performance of the welfare states (e.g. Martela et al. 2020). This section presents the welfare state achievements in Sweden, Denmark, Norway, Finland and Iceland as measured by key welfare state indicators for the last 10 years (2010–2020) for the four theoretical aspects of the Nordic model described earlier.

4.3.1 Generous welfare state

The Nordic model covers a wide range of risks in a life cycle. Table 4.1 below indicates the social spending trends from the 1980s onwards.

Table 4.1: Trend of overall social spending as percentage of GDP between 1980 and 2019 in Nordic countries and OECD average (OECD 2021).

	1980	1990	2000	2010	2019
Country					
Denmark	20	21.9	23.8	29.6	28.3
Finland	18	23.3	22.6	27.4	29.1
Iceland	NA	13.3	14.5	16.4	17.4
Norway	16	21.6	20.4	22.1	25.3
Sweden	24	26.9	26.5	25.9	25.5
OECD Total	15	16.5	17.5	20.6	20.0

All Nordic countries, except Iceland, are well above the OECD average in total spending. Sweden, Denmark and Finland are among the top four spenders. The absence of Norway from the top group is often explained by the fact that GDP, due to the country's oil and gas resources, is exceptionally high. The spending has increased in all countries, with a noteworthy exception of Sweden. Sweden lost its top position in the 2010s, as Finland and Denmark currently spend the most. In the last 10 years, the spending has decreased only in Denmark and Sweden, as it is increasing elsewhere, especially in Finland, where the spending is expected to increase considerably due to population ageing in the coming decade.

Table 4.2: Trends in replacement rates in unemployment benefits 2010–2022 (OECD 2021).

Single, no children	2010	2015	2019	2020
Finland	64	73	66	66
Denmark	85	85	85	83
Iceland	82	77	79	80
Norway	72	67	68	68
Sweden	68	68	71	69
OECD – Total	67	67	68	

Table 4.2: (continued)

Couple, with children	2010	2015	2019	2020
Finland	85	89	85	85
Denmark	94	94	94	94
Iceland	92	91	93	92
Norway	88	88	88	88
Sweden	87	84	89	88
OECD – Total	86	86	86	

Another important indicator of generosity is the social benefit replacement rate. The peak of the Nordic model in terms of benefit generosity was in the late 1980s and ever since, the Nordic countries are converging towards the OECD average (Kangas and Saloniemä 2013, 30). The comparison of the trend shows divergence, where Finland, Sweden and Norway tend to be in line with the OECD average, whereas Denmark and Iceland are well above the OECD average. Pedersen and Kuhnle (2017) – while using different (CWED) data and distinguishing between various social security benefits – have similar findings to Table 4.2: Denmark, Iceland (and Norway) score constantly higher with replacement rates, where Sweden and Finland score (just) around (or under) OECD average. Although the trend has been reasonably stable, the low basic generosity of minimum benefits raises (for singles) questions of the eroding of a universalist model in Finland, Sweden, and to an extent Norway (see also Pedersen and Kuhnle 2017).

Table 4.3: Cluster Table on core indicators of poverty and inequality (Eurostat 2021; OECD 2021).

Poverty and inequality	SE	DK	NO	FI	IS	EU
Gini coefficient (in 2013) and most recent	(0.268–) 0.280	(0.254–) 0.264	(0.252–) 0.262	(0.262–) 0.269	(0.240–) 0.250	
At the risk of poverty % after social transfers (TESSI010) 2019	17.1	12.5	12.7	11.6	8.8 (in 2018)	16.5 (EU27)
In-work-poverty % in 2019 ILC_IW01 2019 18–64	7.7	6.3	6.4	2.9	7.3 (in 2018)	9.0 (EU 27)
Share of children aged less than 18 years at risk of poverty or social exclusion, 2019	23.1	13.2	16	14.3	12.8	22.5

Table 4.3 above shows the rise of poverty and inequality in the last decades but the Gini coefficients in the Nordic states are relatively similar and they are low (to start with) in comparison to many European countries (0.301 for France, 0.289 for Germany, 0.366 for the UK for 2018 (Eurostat 2021). The largest outlier is Sweden, where the risks of poverty and child poverty are higher than in other Nordic countries. The position of Sweden – the archetypical example of the Nordic model – is striking and raises concerns about inequality and exclusion in the “most inclusive” welfare state.

4.3.2 Public services

The Nordic peculiarity is analysed below in Table 4.4 by breaking social spending down into social transfers and benefits in kind.

Table 4.4: Trends of social spending in the Nordic countries in social transfers and benefits in kind, in percentages of GDP, 2010 and 2017 (OECD 2021).

	in cash 2010	in cash in 2017	in kind 2010	in kind 2017
Country				
Denmark	13.1	13.2	14.5	14.0
Finland	16.4	17.5	9.9	11.1
Iceland	6.7	6.8	9.6	9.1
Norway	11.1	12.8	10.4	12.0
Sweden	11.7	10.8	13.1	14.0
OECD Total	12.0	11.5	8.0	8.0

Supporting the claims made earlier in section 4.3.1. – with exception of Iceland – all Nordic countries have spending above or around the OECD average. There is some variation: spending has increased in Norway and in Finland, remained almost the same in Denmark and Iceland, and decreased in Sweden. The difference to OECD is seen in spending in kind, where the Nordic countries spend more than the OECD average. The spending in kind has increased in Norway, Sweden and Finland, and decreased a little in Denmark and Iceland. This suggests, however, that public services remain a typical feature of the Nordic model in the 2010s.

4.3.3 Labour market

Table 4.5 below indicates that employment rates are high, while all Nordic countries have higher employment rates than the EU average.

Table 4.5: Core indicators in employment and ALMP (Eurostat 2021, OECD 2021).

Employment	SE	DK	NO	FI	IS	EU
Employment rate, 20–64, % of population in 2010 and 2019	78.1→82.1	74.9→78.3	79.6→79.5	73→77.2	80.6→85.9	67.8→73.1
Female employment rate, 20–64, % of population, by gender in 2010 and 2019	75→79.7	72→74.7	76.9→76.8	71.5→75.8	77.6→83	61.2→67.3
Female part-time employment as percentage of the total employment	40.3→32.5	37.4→33.9	42.4→37.7	19→21.3	34.5→34.1	29.6→29.9
Long-term unemployed (12 months or more) as percentage of the active population	0.9	0.8	0.8	1.2	–	2.8 (EU27)
*Public spending on labour markets (benefits and services), total, % of GDP, 2000–2018	1.8→1.6	3.8→2.9	1.1→0.8	2.7→2.2		

The total employment is particularly high in Iceland and Sweden (above 80 %), but all Nordic countries beat the EU average when it comes to female employment. In the 2010s, the employment rate of Nordic women has grown, being highest in Iceland and lowest in Finland. Part-time employment is less common in Finland than in the neighbouring countries, but the average working hours of women do not drastically vary between countries (FI 34.5, SE 34.8, DK 31.1, IS 35, NO 31.2 in comparison to 34.1 EU27). Long-term unemployment is lower than the EU average and all Nordic countries (data on Iceland missing) spend generously on active labour market policies. Denmark and Finland are leading the region in these latest figures, Norway the laggard. The Danes indeed invested heavily in activation policy in the mid-1990s, under the flagship Flexicurity (Kvist and Pedersen 2007). In the recent decade, the Danes spent less, yet they remain the highest spenders in ALMP in the Nordic countries. Regarding the types of interventions utilised, OECD data suggest that Nordic states still focus more on “training first” rather than “work first” approach to activation (Martin 2015, 21) and although benefit conditions in the Nordic countries have been made

more restrictive, the punitive approach relating sanctions rules remains softer than that of utilised in the Anglo-Saxon countries (Knotz 2020: 127)

4.3.4 Gender equality

Table 4.6 below shows that the gender employment gap, the difference between the employment rates of men and women aged 15–64 is well below the EU average in all Nordic countries: with Finland being the clear frontrunner here. When viewing the gender pay gap indicator, the Finnish triumph becomes less convincing. The gender pay gap, measured as a percentage of average gross hourly earnings of men, is above the EU average in Finland, where other Nordic countries (Denmark, Norway and Iceland) locate themselves around EU average, or below it (Sweden). These findings illustrate the “welfare-state paradox” (Teigen and Skjeie 2017), where equality-oriented welfare states, such as Nordic welfare states, tend to have highly gender-segregated labour markets.

Table 4.6: Core indicators of gender equality in Nordic welfare states in 2019 and 2020 (Eurostat 2021, EIGE 2021).

Gender equality	SE	DK	NO	FI	IS	EU
Gender employment gap, 2019	4.7	7.2	5.2	2.7	5.6	11.7 (EU27)
Unadjusted gender pay gap, % of average gross hourly earnings of men in 2019	11.8	14	13.2 (2018)	16.6	13.8 (2018)	14.1
EIGE gender equality index	83.8	77.4	NA	74.7	NA	67.9

Although many Nordic states are currently run by female political leaders, most notably, in Finland where the Marin administration started their term with an all-female, 30+ aged government, many authors (Teigen and Skjeie 2017; Dahl 2012) have identified the gender gaps in representation in political and elites. By 2020, none of the Nordic countries has achieved a full gender parity in national assemblies nor has the female representation on corporate boards stabilised to an equal division of men and women (Teigen and Skjeie 2017, 17–18). When measured with the Gender equality index monitored by the European Institute for Gender Equality, The Nordic countries, however, do well. The GEI index uses a scale of 1 to 100, where 1 is for total inequality and 100 is for total equality and the scores denote the gaps between women and men on their levels of achievement in six core domains – work, money, knowledge, time, power and health. Here Nordic countries score well above the EU average and hold up the top four positions: with Sweden and Denmark on the top, and Finland following France as number 4.

4.4 Where do we stand now? The political struggle of the Nordic Model

Although the welfare state performance has not eroded significantly (with the exemption of the increase of child poverty in Sweden and Norway), the political developments in the past may cast darker shadows over the Nordic Model. These shadows are not yet easily captured by the aggregated welfare state performance indicators and require a more detailed and critical discussion.

Although the Nordic welfare states are seen as the bastion of social democracy, neoliberal politics from the 1990s onwards are seen to have weakened the ideals and practices of universalism (Lodemel and Moreira 2014; van Aerschoot 2013). The omnipotent rise of active citizenship puts a stronger emphasis on individualism and meritocracy. Activation reforms underline responsibilities above solidarity and weaken the collective risk-sharing and national (universal) responses (Hansen 2019). At the same time, growing diversity challenges the traditional understanding of universalism and social citizenship. Anttonen et al. (2021) suggest that the “diversity blind” Nordic universal programmes are ill-suited for such diversification of societies with respect to ethnicity, religion and lifestyles. In a similar manner, Thelen (2013) talks about a different kind of universalism to characterise Denmark’s new flexicurity model with a particularly virulent strain of anti-immigrant sentiment” (pp. 198–199). These debates are unmasking increasing welfare chauvinism (van der Waal et al. 2010; de Koster, Achterberg, and van der Waal 2013) that questions the basic notions of collective risk-sharing and universalism. Indeed, the notion of the universalist welfare state – rooted in sovereign countries and territories and covering homogenous populations – may be incompatible with the diversity of transnational societies in the twenty-first century (Greve 2021; 2014) and extending the cosmopolitan world views (van Gerven and Ossewaarde 2012). As Kangas and Saloniemi (2013) have pointed out, we may need to rethink universalism in the context of differentiated needs. New political choices are needed to solve the grand societal challenges, such as climate change and building of an eco-friendly and sustainable welfare state (Gough 2016; Berg and Saikkonen 2019) or addressing the inequalities of the digital-driven welfare states (Alston 2019; van Gerven forthcoming 2022).

Social citizenship has been upgraded to “active” (social) citizenship 2.0., where rights to social transfers and public services are more strongly related to individuals’ responsibilities as active citizens. At the same time, minimum income schemes have been eroded (especially in Finland and Sweden) and have become more targeted (Kuivalainen and Niemelä 2010). Although universalism may be indeed more an issue of the decree, than of the essence (van Oorschot and Roosma 2015), the recent policy measures lowering minimum income benefits (sometimes by politics of non-decision e.g. by freezing the indexation) erode the universalism and polarise welfare state protection between labour market insiders and labour market outsiders. Activation for

these vulnerable groups is no longer an issue of preparing them – via demand-led policies such as fostering life-long learning and training-based ALMP – but rather an instrumental return to the labour market with the “help” of stricter (behavioural) conditions and fewer rights.

The high spending in benefits in kind also does not mean that the quality and access to public services remains the same. Ageing of the population will lead to rising public spending and lower tax revenues, therefore affecting the funding base of the Nordic model. Finland, a country with the highest spending already, will face the fastest rise of the old-age dependence rate in the Nordic countries. This, like in other Nordic countries, will fuel the political sentiments to raise taxes and/or cut down services. These challenges may also erode gender equality if welfare cuts lead to an increase of informal care for the aged relatives. This will impose a triple bind for Nordic women, as they will not only be required to reconcile work and family (child/ren) responsibilities but now also take up (new) tasks of caring for elderly parents.

Many see marketisation as a deliberate political choice and a consequence of the dominance of (neo) liberal values that endangers the Nordic model (Kananen 2016). Nordic states have opted for marketisation and increased the room for private for-profit providers in the last decades (Anttonen and Karsio 2017; Szebehely and Meagher 2018). The marketisation has been particularly strong in-home care and elderly services, and particularly Sweden and Finland have increased the role of for-profit production to fill in the gaps that state retrieval in the 1990s recession left behind. In comparison, in Norway and Denmark marketisation has increased less (Anttonen and Karsio 2017: 228). At the same time, the role of non-profit providers in this sector has been growing in all countries, sometimes as a competitor of for-profit organisations or as a collaborator with the public sector (in collaborative partnerships). Marketisation can erode the Nordic model by transforming it towards a two-tier service system, where the better-off use private services and others have to use the public ones (Mathew Puthenparambil, Kröger, and Van Aerschot 2017). A similar development is the rise of occupational welfare or fiscal welfare (Greve 2018), which fuels polarisation between the rich using private health care services and the poor being reliant on public services, or the rise of funded occupational and personal pensions. Such developments may undermine the universalistic Nordic principles, increase inequalities and worsen the existing public services in the long run.

4.5 Conclusion

The chapter shows the specificity of Nordic welfare states (including Sweden, Denmark, Norway, Finland and Iceland), especially when compared to the EU27 or OECD averages. In general, the Nordic countries entail generous systems of welfare provision and public services and fuel high labour market participation. Furthermore, the Nordic Model fosters gender equality that aims at mitigating income and social inequalities.

Results also show country variations. Iceland differs with lower levels of social spending but is otherwise converging towards other Nordic states with respect to high employment levels, low inequality and high gender equality. Finland shows increasing social spending, but is also catching up with the Nordic levels of employment and spending in ALMPs. Perhaps the most remarkable development is that in Sweden where the recent rise of inequalities, especially with respect to child poverty and risk-of-poverty rates, pose worrisome questions about the future of equality and equal opportunities in the home country of the Nordic model. Denmark stands out particularly regarding high social spending but the decrease in spending in ALMP in recent years shows a departure from the country's prominence in activation. Norway spends the least on ALMP, but is otherwise very close to "average" Nordic, but with staggering signs of higher levels of child poverty.

The established welfare institutions have mitigated the negative effects of the financial crisis of the last decades, as well as the recent COVID-19 pandemic, where the public transfers and services have shown their effects as automatic stabilisers. The Nordic model seems not to have departed from its social democratic roots but, at the same time, the leadership of the "exceptional" Nordic model is not growing. Rather it is declining (e.g. regarding inequality and towards stronger meritocracy) as other countries catch up (e.g. gender equality). This casts shadows of concern in developments of the "post-universal" welfare states in the future, if the issues of inequality and polarisation are not addressed.

The Nordic Model needs to be adjusted in the future to fit with new social and economic conditions. The Nordic commitment to universalism with the strong responsibility of the state in administering welfare and wellbeing for the citizens seems to persevere for now, but the cracks in the contemporary Nordic model that suggest that universalism may not always be compatible with a changing world. The future of the Nordic model is not without challenges, but for now, Nordic countries seem to be up to the challenge.

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