

7. Walks the walk, but doesn't talk the talk: Finnish exceptionalism from the Nordic perspective

Olli Kangas and Mikko Niemelä

INTRODUCTION

In welfare state literature, the Scandinavian welfare state, sometimes referred to as the Nordic welfare state,¹ appears as a mythical creature. Myths are associated with the origin, driving forces, its essential constitutive parts as well as outcomes of the Nordic model. Most often, Sweden has been used as a prototype of the model. The idea of Swedish exceptionalism was launched by American journalist Marquis Childs (1936) in his book *Sweden: The Middle Way*. Gradually, after the Second World War, from which Sweden emerged undamaged, the reputation of the Swedish model began to spread worldwide.

Gradually, other Nordic countries were grouped under the Nordic umbrella. The Nordic model was characterized by its universalistic legacy, comprehensive social security, high spending that was mainly financed by taxes, a strong emphasis on social services, high employment rates in general and among women in particular, and consequently low levels of poverty and social exclusion – in other words, factors that mostly also describe the social investment paradigm. In the 1970s and 1980s, there was an avalanche of analyses on the causes of such a miraculous model that outperformed all other welfare state models. As the epithet “the Social Democratic welfare state”, oftentimes used synonymously with “the Nordic welfare state”, indicates, most explanations referred to the strong position of the Social Democratic parties as a decisive driver of the model (e.g., Korpi, 1978; Stephens, 1979; Esping-Andersen, 1985). Stephen Graubard (1987), in turn, reflected on the distinctive ethos of equality

¹ In our subsequent text, the term “Scandinavia” refers to Denmark, Norway, and Sweden (see e.g., Ringen, 2023), whereas the term “Nordic” pertains to the three Scandinavian countries plus Finland.

in the Nordic countries—a “passion for equality”—which accounts for their demands to level societal differences and their plea for fairness.

In international comparisons, Finland has often been overshadowed by Scandinavian countries. In these comparisons, Finland has frequently been considered a welfare state laggard, with central social policy programs being introduced later and at lower levels than in many other European countries, not to speak about the three Scandinavian countries (see, e.g., Alber, 1987; Esping-Andersen & Korpi, 1987). Although the development of Finnish social policy may have been delayed compared to many other countries, the ideas of universalism were strongly rooted in Finnish social policy debates, maybe even stronger than in Scandinavia. The spirit of universalism is materialized in the dual structure of the Finnish income maintenance system. On the one hand, there is the “traditional” contributory social insurance for those in employment, and on the other hand, there are universal non-contributory and residence-based minimum benefits for those who have not been employed. Thus, the Finnish peculiarity is the universal basic security (*perusturva* in Finnish) that to some extent mimics basic income (*perustulo* in Finnish). In contrast to its Western neighbor, the Finnish Social Democratic Party (SDP) never achieved such a hegemonic position. Instead, the building of the Finnish welfare state was a continuous compromise at the political level between the SDP and the agrarians and at the labor market level between social partners (Alestalo & Uusitalo, 1986).

An intriguing question is to what extent the Finnish welfare state displays the same characteristics as its Scandinavian counterparts in general and its Swedish variant in particular? Did the differing political constellation result in a significantly distinct welfare state in Finland compared to Scandinavia? Hence, the aim of this chapter is to analyze some of the main distinctive characteristics of the Nordic welfare states. We use Finland as a prism through which we examine the “Scandinavianess” of welfare arrangements and their outcomes in the five Nordic countries. These characteristics include the usual suspects: universalism, a high level of public spending on welfare in general, and on in-kind benefits (social services) in particular, and their outcomes in terms of employment, poverty, and income distribution (e.g., Greve, 2007; Kautto & Kuitto, 2021).

When examining the roots of Nordic universalism, in the next section, we rely on Émile Durkheim (1912). In his *Les formes élémentaires de la vie religieuse*, Durkheim sought to unravel the origin and core elements of religion. Durkheim (1912) argued that in order to understand and explain a social phenomenon, we must study the most elementary or primitive forms of that phenomenon. Thus, if we want to understand the origin and elementary forms of the Nordic welfare model, we should concentrate on the historical development of Finnish social policy, known as the most elementary variant among

the Nordic welfare states. This historical scrutiny will be focused on in the first section. This section focuses on “talks”, i.e., the main political discourses and policies created, arguing that the “talks” in Finland were different to in Scandinavia. For example, “the talks” on social investment did not achieve a foothold in the Finnish scientific or political debates. The subsequent three sections delve into “walks”, i.e., institutions and their outcomes in terms of employment, inequality, and poverty (second and third sections). Regarding outcomes of the “walks”, in the penultimate section we show that despite its different solutions from the rest of the Nordic welfare family, Finland performs exceptionally well in the European and even in the Nordic comparison. Our conclusions show that while Finland did not “talk the talks” the Finnish welfare state satisfactorily “walked the walks”—in fact, in some cases even better than its Scandinavian counterparts.

FINLAND DOES NOT TALK THE TALK: DIFFERENT POLITICAL DISCOURSE

Perhaps the most well-known explanations of the roots of Nordic universal social policy are given by Gøsta Esping-Andersen and Walter Korpi (Esping-Andersen, 1985, 1990; Esping-Andersen & Korpi, 1987). According to them, Nordic universalism stems from the social democratic ideas of solidarity. However, this emphasis on social democratic hegemony has been questioned. For Francis Castles (1978), the explanation lies in the political structure of Nordic societies. Instead of having one powerful bourgeois party, the political spectrum to the right of the Social Democrats consisted of a number of smaller parties, and due to the fissures on the political right, the Social Democrats were able to push through their ideas on social policy. Peter Baldwin (1990) goes further and argues that the special characteristics of the Nordic welfare states originated not from lofty social democratic ideals but from the self-interests of the agrarian classes, who did not want to be excluded from social protection. There are also a number of studies emphasizing the important role played by employers in the creation of the Nordic welfare states (e.g., Swenson, 2002; Kangas, 2006).

In contrast to sociological power resources and class-interest-based analyses (e.g., Korpi, 1978), many political scientists focus their explanations on political institutions and the state’s capacity to carry out reforms. Civil servants in the central government were able to initiate, draft, and push through social policy initiatives (e.g., Immergut, 1990, Hecló, 2010). Thus, for example, in the Swedish case, instead of left-wing politics, we have to thank Gustav Vasa (1496–1560), who carried out reform, fortified the power of the central state, and effectivized taxation to finance public expenditures.

Undeniably, we can identify many common historical roots that Finland shares with its Scandinavian neighbours (Kautto & Kuitto, 2021). Furthermore, diffusion of policy ideas, mostly from Sweden, inspired the Finnish civil servants responsible for social policy planning (Karvonen, 1981; Kettunen & Petersen, 2021). However, there are important differences in the significance of these common roots when explaining the specific characteristics of the Finnish welfare state. First, the expansion of industrialization was delayed in Finland, and consequently, employment in agriculture persisted much longer than in Scandinavia. For example, in 1930, the share of agriculture in the sectoral distribution of the labor force was 71% in Finland compared to 40% in the Scandinavian countries (Statista, 1999). Even in 1960, the difference was still clear: whereas in Finland nearly 40% of the labor force was in agriculture, the share was less than half of that in the Scandinavian countries (Alestalo & Kuhnle, 1987; Alestalo, 2000).

In principle, Finland shared the tripartite Scandinavian class formation based on the traditional means of production: labor, land, and capital. Compared with countries outside the Northern hemisphere, the distinctive feature in the North was the class of independent peasants with their family farms as the nucleus of farming. Traditionally, the independent peasantry was represented in the House of Estates. Later, after the breakthrough of democracy and parliamentarism, peasants had their own agrarian party in the parliament (Alestalo, 2000). The formation of the agrarian party in the middle of the political spectrum split the political right as Castles (1978) argued. Consequently, for example, in Sweden, the Social Democrats had continuous governmental power from 1932 to 1973.

Finnish Exceptionalism

In 1906, Finland established universal suffrage—the first country in the world to do so. However, the SDP did not achieve as strong a position as its Nordic sister parties did. On one hand, there was a strong agrarian party (the Agrarian Union, AU; since 1965, the Centre Party, CP), representing the vast rural population. Furthermore, the SDP was challenged not only from the center but also from the left by the Finnish People's Democratic League (FPDL), a cooperative organization of left-wing socialists and communists. Occasionally, both the AU and FPDL were bigger than the SDP, and they often unified against social policy proposals initiated by the SDP (Kangas, 2006).

As in the other Nordic countries, the SDP was often the initiator in socio-political discussions (Kangas, 1991; Nygård, 2003; Kettunen, 2019). However, in their party programs and election manifestos, they spoke much less about social policy or the welfare state than their Scandinavian sister parties. During the period from 1945 to 2023, clearly less than 10% of statements dealt with the

welfare state, whereas in Denmark and Norway, the corresponding share was about 10%, and in Sweden close to 20% (Marpor data, 2024). Furthermore, as shown by Pauli Kettunen (2019), while the Swedish Social Democrats adopted the concept of *welfare politics* as the underpinning motivation for their claims on reform policies, the Finnish conceptual counterpart was the demand for *welfare for all*, pertaining to outcomes. Thus, whereas in the Swedish discourse politics was a *means* to guarantee the well-being of people—politics of policies—the Finnish discourse was more *outcomes-oriented*. However, the concepts of the welfare state or welfare politics never played such a future-oriented role as it did in Sweden (Kettunen, 2019). This may have something to do with the agrarian cultural legacy. Rooted in agrarian experiences, the proverb “Mouth according to the sack”, meaning that people should always live within their means and not spend more than they can afford, reflected the importance of present-day financial prudence. This wisdom was, and still is, generalized to apply to the national economy as well. Consequently, Finnish economic policy has been more pro-cyclical than counter-cyclical (Pekkarinen & Vartiainen, 1993). Furthermore, the economic policy discussion has been a discourse without alternatives: “a man must do what a man must do” (Nyroos, 2024).

Additionally, up to 1992 there was one Finnish parliamentary peculiarity that had significant ramifications for policymaking. The parliamentary reform in 1906 introduced the most extensive universal suffrage at the time. The 1906 reform implemented strong minority protection clauses to prevent social reforms deemed “too radical”. One third of the parliament could vote to make a governmental bill “dormant” until after the next election. As a rule, such “dormant” bills were never promulgated. Thus, the one-third minority rule offered an effective veto point for parties that could not accept the governmental bills. This specific regulation compelled political parties to form “oversized” governments to prevent bills from failing, which in turn led to consensual policymaking.

Politics of Social Policies: Some Examples

In Finland, early efforts to develop social security programs were often initiated by civil servants who drew their inspiration from recommendations of the International Labour Organization (Kuusi, 1931; Mannio, 1967). Thus, as Hecló (2010 [1974]) argued, civil servants in Finland were active in social policy issues. However, the AU supported by the FPDL rejected these early initiatives as “insane ideas from abroad”, and as insufficient for the Finnish context. The simple reason was that early attempts by the social bureaucracy followed the Central European ideas of workers’ insurance. Such a model was unacceptable to the AU and FPDL, who drew their political support mainly

from rural areas. Their universalistic social policy slogan was “little but everybody”, meaning that only a universal scheme would be acceptable (Kangas, 2006). The minority protection clauses prevented the introduction, for example, of pension and sickness insurance schemes limited to employees only. The clauses required the parties to seek consensus, delaying the introduction of social policy programs and resulting in the two-tier income maintenance system (basic security and income security benefits) that remains in place in Finland.

The same political logic as in the cases on sickness insurance underpinned many other policy reforms, for example, in the making of the Finnish family policy, introduction of child allowance, and the daycare system—all of the central elements in the social investment approach. The initial trials of child allowance were based on the Central European male breadwinner model: benefits were paid to (male) employees with dependent children (Kangas, 2006, pp. 290–312; Bergholm, 2015, pp. 77–107). The AU demanded that child allowance also be paid to children living in rural areas, not only to children of employees. The child allowance implemented in 1948 made benefits unconditionally available for every child under 17 years of age. Pekka Kuusi (1968, p. 180) aptly summarizes the outcome: “The child benefit reform was experienced by families with children as an improvement in their lives, especially in Northern and North-Eastern Finland, where there was still a lack of everything except children. In those regions, the child benefit fell like manna from heaven to a land of scarcity.”

The specific interests of the agrarian population are also visible in the Finnish child daycare system, which deviates from its Scandinavian counterparts. The left-wing parties insisted on universal municipal daycare, whereas the Centre Party (CP, formerly AP) and the Conservatives demanded a home care allowance (HCA), a cash-for-care scheme. In 1985, as a political compromise, the Child Care Act guaranteed a universal right to daycare for all children under three years old and HCA for all families who wanted to use it instead of municipal daycare. HCA won strong legitimacy in Finland compared to other Nordic countries. It was portrayed as a “freedom to choose”. In contrast, in Sweden, home care has been criticized as a “trap for women”, i.e., an incentive for women to stay at home, and daycare is instead regarded as an important part of early childhood education (Hiilamo & Kangas, 2009).

The Nordic countries are a showcase of the successful implementation of social investment policies (see Frazer & Marlier, 2017). Against this background, it may seem somewhat surprising that social investment as a concept does not play any significant role in the Nordic party, election, or governmental programs. However, social investment is more or less embedded in policymaking, and there are institutional arrangements to promote the ideas of social investment. For example, in Sweden and Denmark, there are specific

organizations called social investment funds. Swedish Social Investment Funds (Sociala investeringsfonder) are a financial mechanism designed to support long-term social investments. Their primary goal is to address social issues by encouraging investment in preventive measures and interventions (Hultkrantz, 2015). In a similar way, the Danish Social Investment Fund (Den Sociale Investeringsfond) highlights how investing in people, especially those who are disadvantaged, leads to significant social and economic benefits (Rosenkrantz-Theil & Hækkerup, 2018; Rosenkrantz-Theil, 2019). In Finland, the Children's Foundation (Itsenäisyyden juhluvuoden lasten säätiö; Itla, 2024) specializes in promoting and supporting the well-being and equality of children and contributing to building a good future for them. The Finnish Innovation Fund Sitra aims to promote the well-being of Finland, accelerate economic growth, produce innovations, and renew society (Sitra, 2025). Sitra's mission statement epitomizes Finnish politics. It embodies Pekka Kosonen's (1998) characterizations of the underpinning of different meta-narratives in the Nordic welfare states. Whereas the limitation of public expenditure and investments in economic growth is the historical policy mode in Finland, the Swedish model is labeled by strong public responsibility for people's well-being; Norway, in turn, is a distributive welfare state promoting investments and expanding transfers, while Denmark is characterized by cocktail-stirring liberalism and the expansion of the generous welfare state.

Our summing up of the cursory political history review of some central aspects of universalism in the Finnish welfare state is somewhat eclectic. To give a Durkheimian verdict on the political making of important welfare programs, we can state that Finnish universalism is not a social democratic doing. The SDP has often been present as an initiator, but because of the fragmented party system and strategic veto points, most of the central welfare legislation has been comprised of compromises. Often, employer federations and trade union confederations have also played an important role. Thus, compromises between representatives of land, labor, capital, and the state characterize the making of the Finnish welfare state, whereas the Scandinavian welfare states are more based on social democratic visions of society. As for the Graubardian (1987) "passion for equality", it is stronger in Finland than in Scandinavia. Despite the same level of income inequalities in their countries, the Finns demand more redistribution than Scandinavians do. The passion is reflected in the Finnish peculiarity of universal basic security benefits (*perusturva* in Finnish) available for all legal residents. The similar connotation between *perusturva* and *perustulo*, i.e., basic income, has motivated support for universal basic income, which has not achieved the same level of popularity in other Nordic countries (Andersson and Kangas, 2005).

The specific Finnish political constellations have produced the somewhat unique combination of universal and income-related transfers. The combination

guarantees both flat-rate minimum security reflecting the agrarian arithmetic passion for equality, plus income-related social insurance transfers without any ceilings reflecting the relative equality in industrial social insurance. A notable feature in the Finnish social policy discourse is that, from the 2010s onwards, social rights gained greater prominence in the Constitutional Law Committee's rulings and in political debate. At the same time, social policy increasingly came to be viewed as a legal issue concerning fundamental rights, rather than merely a political theme.

WALKING THE WALKS: INSTITUTIONS AND OUTCOME

Spending

Comprehensive social protection has its costs (NOSOSCO, 2024; OECD, 2024c). Therefore, the Nordic welfare states have been described as big spenders compared to other countries or other welfare regimes. However, country rankings in the spending indicator have changed from the 1960s to the 1980s, and further in the 2000s. In early comparisons, Finland appeared to be a Nordic laggard. In 1960, public social expenditure in Sweden was 10.8% of GDP, while in Finland, it was 8.8%, which was lower than the overall mean for the OECD countries (Castles, 2004, p. 25). Twenty years later, the Swedish expenditure level (24.5% of GDP) was the highest among all the OECD countries. In Finland, the share had increased to 17.8%, which was somewhat higher than the overall mean. Entering the 2020s, the Scandinavians are no longer the biggest spenders. In 2022, the biggest spenders were found among some Central and Southern European countries (France, Austria, and Italy), followed by Finland in fourth place out of 30 OECD countries. The placements of the other Nordic countries were Denmark 8th, Sweden 11th, and Norway 16th (OECD, 2024a).

One aspect of welfare state comparisons is how much is spent on social security. In the welfare state literature, a distinction is also made between income transfer states and service states. In the former group, pertaining to the Central European welfare regime, there is an emphasis on social insurance, whereas social services dominate in the latter group, as exemplified by the Nordic cluster. Oftentimes, they are labeled as social investment states (e.g., Morel et al., 2012; Hemerijck, 2013 and see Chapter 3).

Clustering countries within welfare state regimes reveals that Nordic countries are the most inclined to provide social services, as measured by the services-to-transfers ratio. In contrast, Southern European countries tend to rely more heavily on income transfers than on social services. In this social investment dimension, Finland (services-to-cash ratio of 0.66) appears closer to certain Central European income transfer states (average ratio of 0.56) than

to its Nordic neighbors (Scandinavian average of 0.81). However, the picture changes when considering in-kind spending relative to GDP. Sweden has the highest ratio among all OECD countries (17.8%), followed by Iceland (17.1%), the Netherlands (17.0%), and Finland in fourth place (15.9%). Relative to their GDP, Denmark and Norway spend less (OECD, 2024a, see also Eurostat, 2024a).

Redistribution

In “traditional” welfare state comparisons, in addition to high public spending levels, high levels of taxes and strongly redistributive policies leading to low income inequality are regarded as the central trademarks of the Nordic welfare cluster (Greve, 2007; Kautto & Kuitto, 2021). The old verdict seems to hold true: the Nordic countries remain at the top when it comes to the level of taxation as a percentage of GDP. Tax levels are also high in Central and Southern Europe and, unsurprisingly, the taxation is the mildest under the Liberal regime (OECD, 2024b, p. 15).

An examination of the combined redistributive effects of income transfers and taxes reveals intriguing country- and regime-specific differences (OECD, 2018, p. 10). On average, taxes and transfers reduce the Gini index of market income inequality by 25% across the OECD. The redistributive effect is the greatest in Ireland closely followed by Finland (redistribution percentage 41%). Denmark ranks 5th with a redistribution rate of 35%, Norway is 12th (30%), and Sweden ranks 17th with a redistribution rate of 26%. Thus, the Nordic group is quite heterogeneous. Interestingly, despite the strong income-related nature of Finnish social insurance schemes, redistribution in Finland remains substantial (Causa & Hermansen, 2019). This supports the concept of “the paradox of redistribution” (Korpi & Palme, 1998), meaning that the more we target benefits exclusively at the poor, the less redistribution is actually achieved.

Employment

High employment rates are seen as one of the central cornerstones of the Nordic model (e.g., Greve, 2007). Following the social investment paradigm, which emphasizes that social services facilitate the reconciliation of family and working lives, we could therefore expect high employment rates in the Nordic countries in general, and among women in particular (see Chapter 3). Additionally, the Nordic investments in integration policies should be reflected in high employment rates among people with disabilities and among immigrants.

Regarding employment rates among native-born men, the Finnish rate in 2023 was somewhat lower than the Scandinavian average (78.3% versus 83.4%).

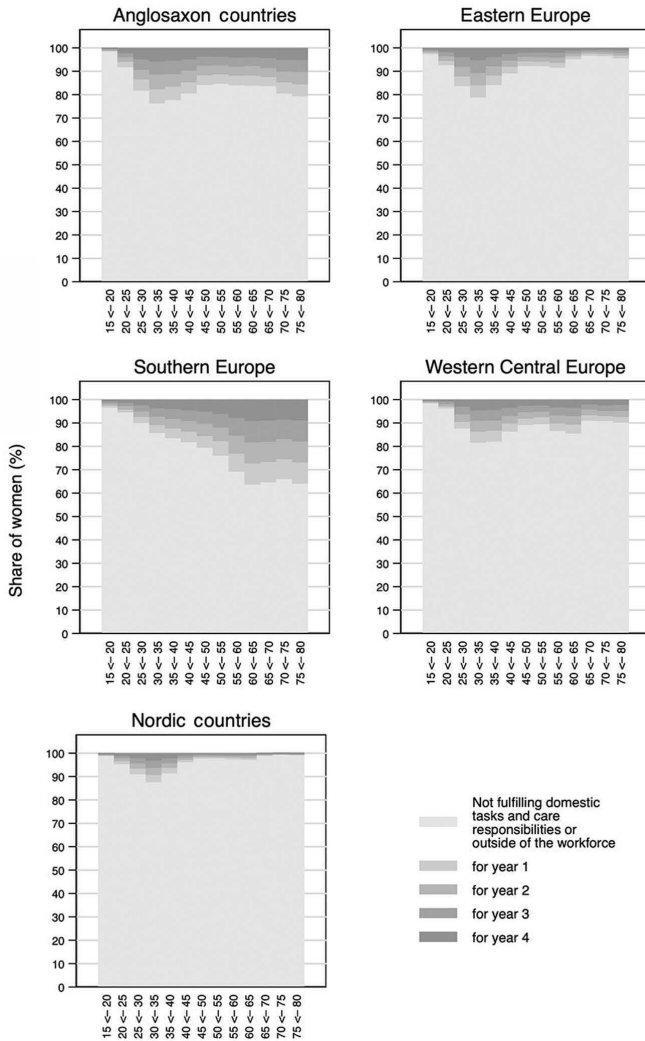
Employment rates among Nordic men are generally high, though not always the highest when compared with other welfare regimes. As for employment rates among women, the Nordic cluster demonstrates the highest participation in paid labor (the average across the four Nordic countries is 78.3%, compared, for example, to the Southern European average of 63.7%). Unlike other welfare regimes, the Nordic countries exhibit minimal gender differences in employment rates among the native-born population. (Eurostat, 2024b; 2024c).

While Scandinavian social investment policies appear effective in promoting female employment, they are less successful in integrating immigrants into the workforce. Employment rates among both foreign-born men and women tend to be lower in the Nordic welfare regime compared with other regimes. In this regard, neither the Scandinavian countries nor Finland demonstrate particularly strong performance. However, the Nordic countries seem to achieve greater success in integrating people with disabilities into employment (European Disability Forum, 2023).

Interestingly, employment among Finnish men lags behind that of other Nordic countries more than female employment does. The result is intriguing given that Finland relies heavily on HCA, which is predominantly (about 85%) used by mothers. To get a fuller picture, it is helpful to separate maternal employment rates by the age of the youngest child. The impact of the home care allowance is most visible in the labor market behavior of mothers with young children. Employment among mothers with children is considerably low in Finland, compared to Sweden. However, when it comes to mothers with older children, there are no major differences (OECD, 2024b).

Figures 7.1a and 7.1b illustrate the situation. The figures display the share of women in the age group 15 to 80 years whose labor force status is either “taking care of children or other relatives” or “inactive”. There are substantial variations between welfare regimes, notably between the Nordic and Southern European clusters. While absence from employment in the Nordic countries concentrates in the 20- to 40-year age bracket, the incidence and duration of absence increase with age in the Southern regime, reflecting differences in the structure of the welfare state in general and care policies in particular. In Denmark, Norway, and Sweden, inactivity spells are negligible and short, whereas in Finland, due to HCA absence rates, are more common in the 20- to 40-year age group. After that, the labor force participation rates among Finnish women are as high as in the other Nordic countries (OECD, 2024d).

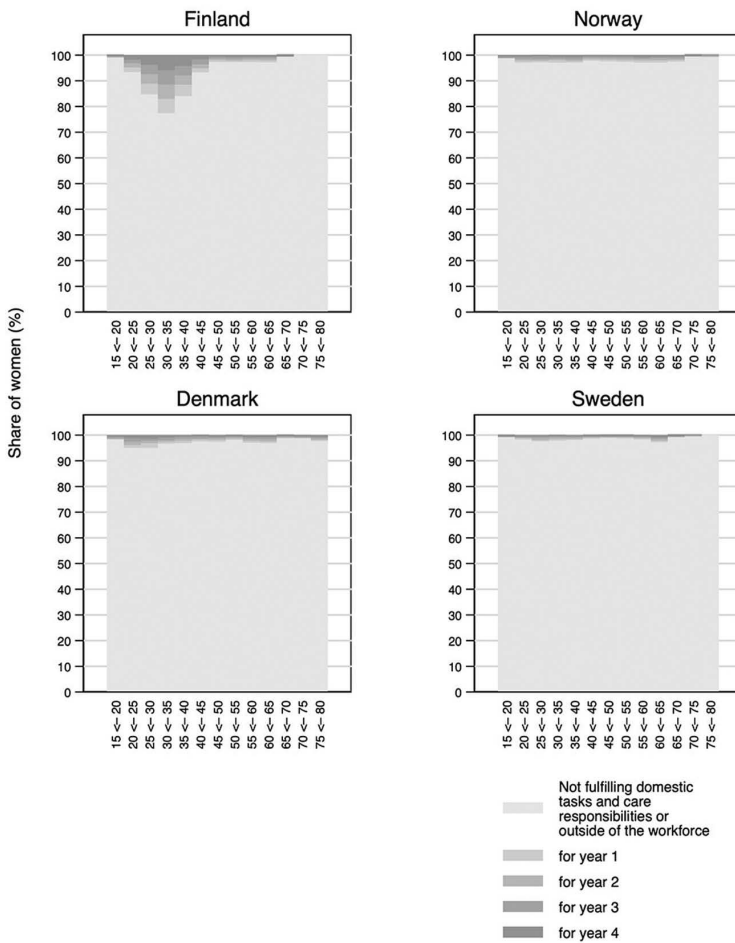
Despite the temporary character of labor market impacts of the HCA in Finland, it has its repercussions. Firstly, the HCA creates monetary disincentives to participate in early childhood education and care (ECEC). Unsurprisingly, the enrollment of Finnish children in ECEC is lower than the enrollment rates in other Nordic countries. The monetary disincentive created by the HCA is rather strong for low-income groups, which is reflected in



Note: Duration of care-related absences from the labor market according to age by welfare regime and by the Nordic countries.

Source: EU-SILC, 2024.

Figure 7.1a Female labor force status “taking care of family-related care responsibilities” (%) – Anglo-saxon countries, Eastern Europe, Nordic countries, Southern Europe and Western Central Europe



Note: Duration of care-related absences from the labor market according to age by welfare regime and by the Nordic countries.

Source: EU-SILC, 2024.

Figure 7.1b Female labor force status “taking care of family-related care responsibilities” (%) – Finland, Norway, Denmark and Sweden

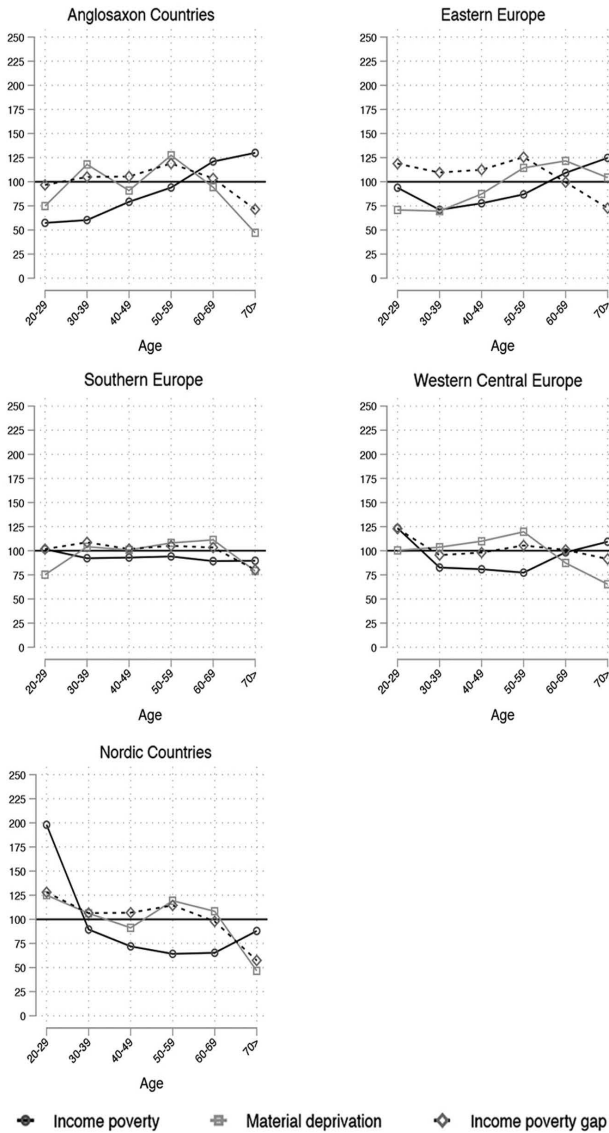
socio-economically biased enrollment. Secondly, while the use of the HCA is not linked to socio-economic characteristics—almost all parents use it—the duration for which it is used correlates with the parents' education and family status. Mothers with high educational attainment tend to use it for shorter periods than mothers with lower education levels. Furthermore, single mothers use it for longer durations than mothers with spouses. The use of HCA support is particularly common among people with a refugee background, and the HCA spells are also longer for them than for the native population (Räsänen et al., 2019). Thus, despite the fact that the Finnish childcare system is universal and, at least in principle, is designed to foster equal opportunities and is geared towards social investments, there are still socio-economic and other demographic biases.

Income Poverty and Material Deprivation

In his turn-of-the-century study on poverty in York, UK, Seebohm Rowntree (1901) observed that poverty was linked to age and family formation in a cyclical fashion. High levels of poverty were observed in childhood, during the family phase, and in old age, whereas in youth and the empty nest phase (i.e., when children had left home), poverty was not such a significant problem.

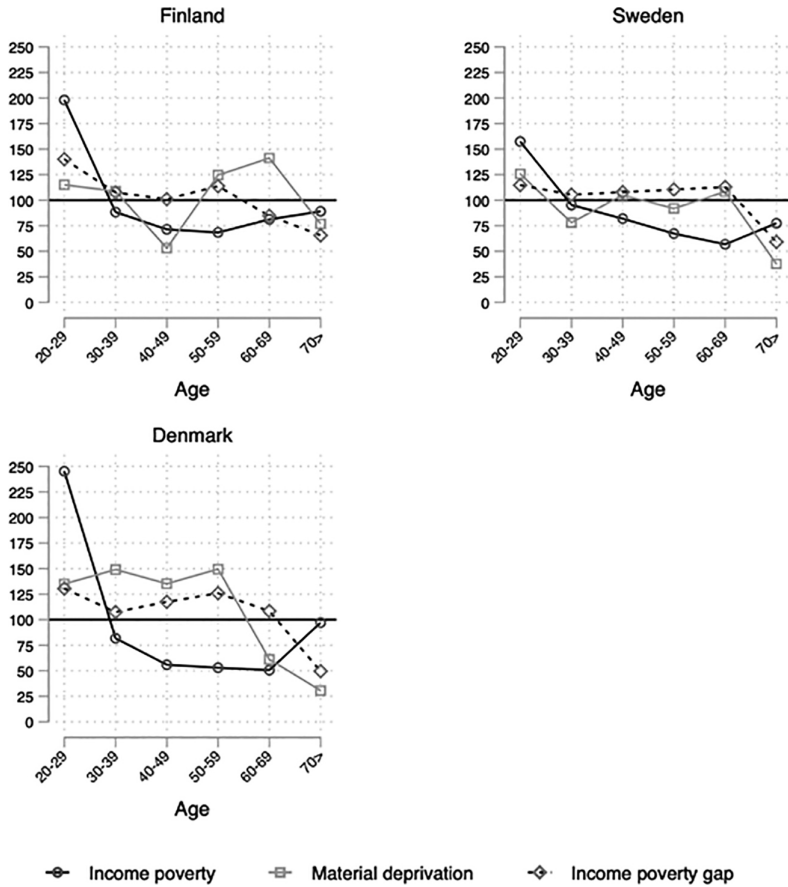
Figures 7.2 and 7.3 display poverty cycles by age for European countries according to indicators provided by Eurostat, i.e., at-risk-of-poverty (AROP), severe material deprivation, and at-risk-of-poverty gap (AROP-gap). Material deprivation differs from AROP in that material deprivation measures involuntary deprivation in living conditions directly, while AROP measures the scarcity of financial resources that may lead to deprivation in material. In addition, while AROP tells us how many households fall below a defined income threshold at any given time, the AROP-gap illustrates the relative distance between the median household income of households below the income poverty threshold and the threshold itself (Eurostat, 2024d) For example, improvements in benefits may have little or no impact on changes in the risk of income poverty. However, changes may significantly raise the average income of those on benefits to levels close to the income threshold.

In Figure 7.2, the at-risk-of-poverty, material deprivation, and the relative income poverty gap for each age group are related to the average levels of income poverty risk, deprivation rate, and income poverty gap for each country or group of countries. Data are for 2022. Results show that the Nordic countries differ somewhat from other welfare regimes. In the Nordic countries, income poverty is significantly higher than the population average in the youngest age group. In contrast, in Anglo-Saxon and Eastern European regimes, income poverty is higher than average, especially in older age groups, while in the Western Central European regime, we can observe a flat U-shaped



Source: EU-SILC, 2024.

Figure 7.2 At-risk-of-poverty (income poverty), severe material deprivation, and at-risk-of-poverty gap by age group relative to the average for the welfare regime



Source: EU-SILC, 2024.

Figure 7.3 At-risk-of-poverty (income poverty), severe material deprivation and at-risk-of-poverty gap (income poverty gap) relative to the average for a given country

relationship. In addition, in Southern Europe, very small differences between age groups can be observed. Looking at young people, the economic situation of young people in the Nordic countries also appears to be much worse, regardless of the indicator. One main reason is that, in the Nordic countries in general—and in Finland in particular—young people tend to move out of their childhood homes earlier than in other European countries. By contrast, for

those over 70 years old, although income poverty is close to the average, material deprivation and the income poverty gap are clearly lower. This result suggests that the income level of pensioner households is relatively close to—or at least closer to—the income poverty threshold compared to other age groups.

A closer look at the three Nordic countries, Finland, Sweden, and Denmark, shows that there are both similarities and differences between the Nordic countries (Figure 7.3). Regardless of country, the age bracket 20–29 shows above-average economic hardship on all measures. Similarly, the results show that pensioners have a close to average risk of income poverty but, especially in Denmark and Sweden, a lower-than-average material deprivation and income poverty gap. In particular, the countries differ in terms of age differences in material deprivation and the income poverty gap: while in Sweden the differences in material deprivation between age groups are quite small, in Finland material deprivation is higher than average in the age brackets 50–59 and 60–69, and in Denmark material deprivation falls below the average level only in the two oldest age brackets.

In general, when it comes to the income poverty rates, European statistics show that Nordic poverty levels are significantly lower than the EU average. However, in Denmark, Finland, and Sweden, income poverty increases in the oldest age groups and comes closer to the EU average. Concerning the age group of 20 to 29 years, the explanation is that, in contrast to many other European countries, youngsters move away from their childhood home early and are classified as independent households. Also, regarding the oldest age group, the explanation is linked to household formation. In the Nordic countries, elderly people live on their own, not in two- or three-generation households as they do in many other EU countries. Furthermore, there are lots of older widowed women living alone, and as a rule, households with one income receiver are more exposed to poverty than households with multiple earners.

As regards the comparison of Finland vis-à-vis the Scandinavian countries, in most instances, Finland displays lower poverty and social exclusion levels than the Scandinavian countries. At the total population level, poverty is the lowest in Finland and Norway (15.8% in 2023), while it is somewhat higher in Denmark and Sweden (17.9% and 18.4%, respectively).

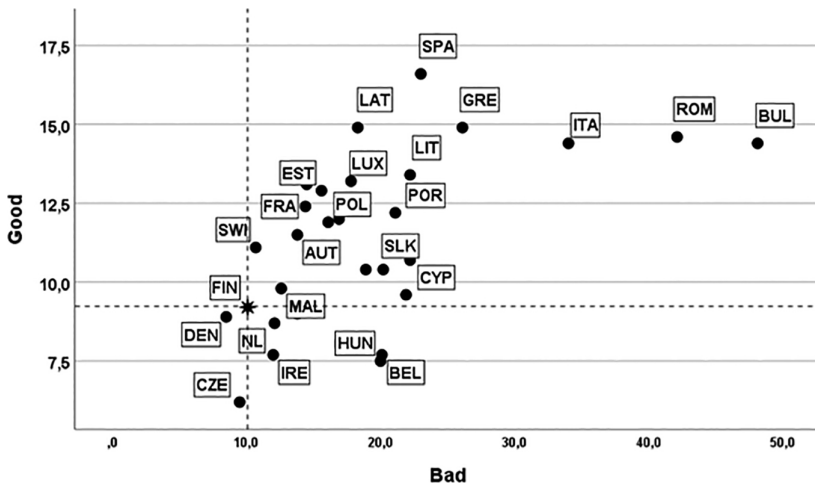
Child Poverty

The goal of the modern welfare state is not only to alleviate poverty in different phases of life but to provide possibilities to everyone regardless of their background to accomplish their potential. Thus, the goal is not only to provide people with an amount of money they can live off but also to provide people with skills and abilities that enable them to become full members of the society they are living in through their own efforts. In Rawlsian (Rawls, 1972/1999)

terms, society should be open and nobody in an unfortunate position should be locked in to their disadvantages. This means, among other things, that disadvantaged social positions or economic hardship should not be passed on to the next generation. Figure 7.4 shows, despite efforts, there is a tendency for material disadvantage to be transmitted. However, the strength of this transmission varies between countries (see e.g., Corak, 2016, OECD 2021; 2023). In this comparison, Finland outperforms its Scandinavian neighbors.

Table 7.1 shows changes in the risk of child poverty between 2003–2004 and 2022 by the age of the child. There are some differences between the Nordic countries in both levels and trends in the risk of child poverty. For children under 18, changes in the risk of child poverty are very moderate in Denmark, Finland, and Iceland (10–11%). In contrast, in Norway, the child poverty rate has risen steadily from around 9% to 14%, and in Sweden, the increase in the child poverty rate occurred between 2005 and 2010, after which the risk of child poverty has remained at around 17–18%.

Differences between countries remain relatively consistent when examining child poverty rates for children under six years of age. Both Norway and Sweden exhibit an increase in the risk of child poverty. In Finland, the child



Source: Eurostat, 2025.

Figure 7.4 At-risk-of-poverty rate for adults (aged 25 to 59 years) by level of financial situation (“good” or “bad”) of their childhood households when the respondent was around 14 years old (data for 2023)

Table 7.1 At-risk-of-poverty rate and at-risk-of-poverty gap for children in the Nordic countries

| Country | At-risk-of-poverty | 2003–2004 (%) | 2005 (%) | 2010 (%) | 2015 (%) | 2020 (%) | 2022 (%) |
|---------|-------------------------------------|---------------|----------|----------|----------|----------|----------|
| Denmark | Children under 18 | 9.4 | 10.4 | 10.9 | 10.4 | 10.0 | 10.1 |
| | Children under 6 | 10.6 | 13.5 | 10.4 | 9.0 | 12.5 | 9.0 |
| Finland | Children under 18 | 9.8 | 10.0 | 11.4 | 10.0 | 11.6 | 9.5 |
| | Children under 6 | 11.0 | 11.9 | 12.6 | 11.6 | 14.1 | 11.3 |
| Iceland | Children under 18 | 11.5 | 10.5 | 12.6 | 11.3 | - | - |
| | Children under 6 | 14.7 | 11.9 | 15.4 | 13.3 | - | - |
| Norway | Children under 18 | 8.9 | 9.4 | 11.7 | 11.3 | 14.1 | - |
| | Children under 6 | 6.8 | 7.6 | 11.1 | 8.7 | 14.0 | - |
| Sweden | Children under 18 | 12.1 | 10.2 | 17.1 | 18.1 | 18.7 | 17.2 |
| | Children under 6 | 11.7 | 9.8 | 17.3 | 19.0 | 19.5 | 18.8 |
| - | - | - | - | - | - | - | - |
| Denmark | At-risk-of-poverty gap for children | 17.4 | 18.2 | 19.6 | 25.1 | 15.7 | 17.0 |
| Finland | At-risk-of-poverty gap for children | 15.1 | 11.9 | 11.4 | 11.3 | 9.5 | 12.3 |
| Iceland | At-risk-of-poverty gap for children | 20.1 | 23.7 | 18.2 | 17.2 | - | - |
| Norway | At-risk-of-poverty gap for children | 15.9 | 19.1 | 19.6 | 16.5 | 18.6 | - |
| Sweden | At-risk-of-poverty gap for children | 14.0 | 16.5 | 18.2 | 20.5 | 19.9 | 21.4 |
| Mean | At-risk-of-poverty gap for children | 16.5 | 17.9 | 17.4 | 18.1 | 15.9 | 16.9 |

Source: EU-SILC, 2024.

poverty rate for children under six also rose from 11% in 2004 to 14.1% in 2020, although it declined to 11.3% by 2022. Denmark, by contrast, displays a downward trend, albeit with some fluctuations. In all countries, the child poverty rate for children under six peaked during the pandemic year of 2020. In Finland and Iceland, the poverty rate for children under six is higher than that for those under 18 years old. Conversely, Norway and, to a lesser extent, Denmark report a lower child poverty rate for children under six compared to the overall child poverty risk.

The levels and trends in the poverty gap vary across countries. Finland has the lowest poverty gap for children. Broad European comparisons reveal that the higher the relative risk of income poverty, the greater the poverty gap. Finland consistently ranks among the countries with the smallest gaps, whether considering the total population or children under 18 years of age. While the poverty gap for children in Finland has decreased over time, it rose from 9.5% in 2020 to 12.3% in 2022. A similar post-pandemic increase can be observed in other countries as well.

CONCLUSIONS

The starting point of our analysis was inspired by Émile Durkheim's *Les formes élémentaires de la vie religieuse*, where Durkheim argued that to explain a social phenomenon, we must study the most elementary form of a society where that phenomenon is visible. In the first part of our analysis, we explored the roots of "Scandinavian" universalism in the making of the Finnish welfare state. We showed that, due to late industrialization, the agrarian population had a strong political position. In the Finnish parliament, this population was mainly represented by the Agrarian Union and the Finnish People's Democratic League. Both of these parties were against pure workers' insurance schemes, often suggested by the Social Democrats, and instead demanded people's insurance. Due to parliamentary minority clauses, parties were compelled to seek consensus, which on the one hand postponed the introduction of social policy programs but on the other hand was an important causal factor in establishing universal policies covering all residents. Thus, the root of universalism lies in the self-interest-based class compromises between political representatives of the traditional production forces, i.e., capital, labor, and land.

After the historical analysis of the political making of the universal welfare state, we shifted our focus to the elements that have been regarded as trademarks of the Nordic welfare states. The Nordic countries, with the exception of Iceland, are high spenders with high tax rates and high redistribution effects. Somewhat surprisingly, the Finnish welfare state, where major social insurance schemes are entirely income-related, i.e., there are no ceilings as there

are in the other Nordic countries, displays the highest redistributive effect. We also demonstrated that Finland is a significant welfare spender but, compared to other Nordic countries, more income transfer-oriented and more reliant on social insurance contributions. This is due to demographics (pensions) and unemployment (more spending on cash benefits than on active labor market measures). However, if we look at cash and in-kind spending in relation to gross domestic product, Finland clearly belongs to the Scandinavian regime.

The Nordic countries are said to be “woman friendly”, meaning that family policy institutions are organized in such a way that they allow both genders to participate in the labor market. Our international comparison showed that female and maternal employment is high in the Nordic countries. There is one Finnish institutional peculiarity, the home care allowance, that has repercussions both on female employment and children’s enrollment in early childhood education. Consequently, Finnish exceptionalism is the low labor force participation among women with small children. However, regarding older children and their mothers, the enrollment and employment rates are at the high Scandinavian level.

After mapping the Nordic characteristics in labor market behavior, we focused on final outcomes in terms of income poverty and material deprivation as well as child poverty with special focus on intergenerational transmission of advantage and disadvantage. We showed that, as a rule, the risk of poverty and social exclusion is low in the Nordic countries, with childhood poverty being particularly low in Finland. We also briefly discussed, inspired by John Rawls’ (1972/1999) theory of justice, the intergenerational inheritance of social positions.

In sum, the “Nordic model” or the “Scandinavian model” is not a homogeneous and solid construction. Rather, there are five different variants of the model that share some elements. There are common cornerstones, but their size and position are not the same in all five countries, as our empirical survey has shown. When speaking about the Nordic model, the question is perhaps more about family resemblance than a bundle of characteristics that all five Nordic countries share. Despite differences in the political economy of the welfare state, the Finnish variant fulfills the criteria of the Nordic/Scandinavian welfare state. Similar results can be achieved through multiple approaches. Each of the Nordic countries is similar in its own way, especially Finland. Also, despite there not being much discussion about social investments as an instrument to achieve these goals, the results show that Finland complies very well with the core ideas of the social investment paradigm. Hence, it seems that the logic of social investment has become institutionalized in Finnish social policymaking without much rhetoric about social investment. The Finns do not talk the talks, but they do walk the walks!

REFERENCES

- Alber, J. (1987). *Vom Armenhaus zum Wohlfahrtsstaat*. Campus.
- Alestaw, M. (2000). The Finnish welfare state in the 1990s. In S. Kuhnle (Ed.), *Survival of the European welfare state* (pp. 58–68). Routledge.
- Alestaw, M., & Kuhnle, S. (1987). The Scandinavian route. In R. Erikson, E. J. Hansen, S. Ringen, & H. Uusitalo (Eds.), *The Scandinavian model* (pp. 3–38). M.E. Sharpe.
- Alestaw, M., & Uusitalo, H. (1986). Finland. In P. Flora (Ed.), *Growth to limits II* (pp. 3–38). De Gruyter.
- Andersson, J. O., and Kangas, O. (2005). Universalism in the age of workfare. In N. Kildal & S. Kuhnle (Eds.), *Normative foundations of the welfare state* (pp. 112–129). Routledge.
- Baldwin, P. (1990). *The politics of social solidarity*. Cambridge University Press.
- Bergholm, T. (2015). *Kaksoissidoksen synty [The birth of the double bind]*. Hansaprint.
- Castles, F. (1978). *The social democratic image of society*. Routledge.
- Castles, F. (2004). *The future of the welfare state*. Oxford University Press.
- Causa, O., & Hermansen, M. (2019). Income redistribution through taxes and transfers across OECD countries. *Economics Department Working Papers* No. 1453. OECD.
- Childs, M. (1936). *Sweden - the middle way*. Yale University Press.
- Corak, M. (2016). Inequality from generation to generation: The United States in Comparison. *IZA Discussion Paper* No. 9929.
- Durkheim, É. (1912). *Les Formes élémentaires de la vie religieuse: le système totémique en Australie*. Librairie Félix Alcan.
- Esping-Andersen, G. (1985). *Politics against markets*. Princeton University Press.
- Esping-Andersen, G. (1990). *Three worlds of welfare capitalism*. Policy Press.
- Esping-Andersen, G., & Korpi, W. (1987). From poor relief to institutional welfare states. In R. Erikson, E. J. Hansen, S. Ringen, & H. Uusitalo (Eds.), *The Scandinavian model* (pp. 39–74). M. E. Sharpe.
- European Disability Forum (2023). *European Human Rights Report Issue 7*.
- Eurostat (2024a). Social protection statistics.
- Eurostat (2024b). Employment and activity by sex and age – annual data.
- Eurostat (2024c). Migrant integration statistics – labour market indicators.
- Eurostat (2024d). People at risk of poverty or social exclusion in 2023.
- Eurostat (2025). At-risk-of poverty rate for adults (aged 25 to 59 years) by level of financial situation of their households when respondent was around 14 years old.
- EU-SILC (2024). EU statistics on income and living conditions (microdata). Eurostat. <https://ec.europa.eu/eurostat/web/microdata/european-union-statistics-on-income-and-living-conditions>
- Frazer, H., & Marlier, E. (2017). *Progress across Europe in the implementation of the 2013 EU Recommendation on 'Investing in children'*. European Commission.
- Graubard, S. (1987). *Norden: The passion for equality*. The Norwegian University Press.
- Greve, B. (2007). What characterises the Nordic welfare state model. *Journal of Social Sciences*, 3(2), 43–51.
- Heclø, H. (2010 [1974]). *Modern social politics in Britain and Sweden*. ECPR Classics.
- Hemerijck, A. (2013). *Changing welfare states*. Oxford University Press.
- Hiilamo, H., & Kangas, O. (2009). Trap for women or freedom to choose? *Journal of Social Policy*, 38(3), 457–475.

- Hultkrantz, L. (2015). *Sociala investeringsfonder i Sverige fakta och lärdomar* [Social investment funds in Sweden: Facts and lessons]. SNS Förlaget.
- Immergut, E. (1990). *Political construction of interest*. Cambridge University Press.
- Iitla [Children's Foundation] (2024). Iitla builds a good future for children and families in Finland. Iitla.
- Kangas, O. (2006). Poliitiikka ja sosiaaliturva Suomessa [Politics and social security in Finland]. In T. Paavonen & O. Kangas (Eds.), *Eduskunta hyvinvointivaltion rakentajana* [Parliament as a builder of the welfare state] (pp. 190–396). Edita.
- Karvonen, L. (1981). *Med vårt västra grannland som förebild: en undersökning av policydiffusion från Sverige till Finland* [Our Western neighbour as a role model: A study of policy diffusion from Sweden to Finland]. Åbo Akademi tryckeri.
- Kautto, M., & Kuitto, K. (2021). The Nordic countries. In D. Béland, K. Morgan, H. Obinger, & C. Pierson (Eds.), *The Oxford handbook of the welfare state* (pp. 803–825). Oxford University Press.
- Kettunen, P. T. (2019). The conceptual history of the welfare state in Finland. In N. Edling (Ed.), *The changing meanings of the welfare state* (pp. 225–275). Berghahn Books.
- Kettunen, P., & Petersen, K. (2021). Images of the Nordic welfare model. In H. Byrkjeflot, L. Mjøset, M. Mordhorst, & K. Petersen (Eds.), *The making and circulation of Nordic models, ideas and images* (pp. 13–33). Routledge.
- Korpi, W. (1978). *The working class in welfare capitalism*. Routledge.
- Korpi, W., & Palme, J. (1998). The paradox of redistribution and strategies of equality. *American Sociological Review*, 63(5), 661–687.
- Kosonen, P. (1998). *Pohjoismaiset mallit murroksessa* [Nordic models in transition]. Vastapaino.
- Kuusi, E. (1931). *Sosiaalipoliitiikka I ja II* [Social policy I and II]. WSOY.
- Kuusi, P. (1968). *60-luvun sosiaalipoliitiikka* [Social policy for the sixties]. WSOY.
- Mannio, N.A. (1967). *Sosiaalipoliitikon kokemuksia 50 isenäisyysvuoden ajalta*. WSOY.
- Marpor data (2024). Manifesto Project Main Dataset (party preferences). Wissenschaftszentrum berlin. Wissenschaftszentrum Berlin <https://manifesto-project.wzb.eu>
- Morel, N., Palier, B., & Palme, J. (2012). *Towards a social investment state?* Policy Press.
- NOSOSCO (Nordic Social-Statistics Committee) (2024). Expenditure on families and children. <https://nhwstat.org/expenditure/social-expenditure-espross/expenditure-families-and-children/expenditure-families-and>
- Nygård, M. (2003). *Välfärdspolitiken, partierna och marknaden* [Welfare politics, political parties and markets]. Åbo Akademis förlag.
- Nyroos, M. (2024). *Suomalaisen talouspolitiikan retorikkaa* [The rhetoric of Finnish economic policy]. Master's thesis. University of Jyväskylä.
- OECD (2018). *Income redistribution across OECD countries*. OECD.
- OECD (2021). *PISA 2018 results: Where all students can succeed*. Volume II. OECD.
- OECD (2023). *PISA 2022 results: The state of learning and equity in education*. Volume I. OECD.
- OECD (2024a). Social spending. <https://www.oecd.org/en/data/indicators/social-spending.html?oecdcontrol-00b22b2429-var3=1980>
- OECD (2024b). *Revenue statistics*. OECD.
- OECD (2024c). *Taxing wages*. OECD.

- OECD (2024d). OECD family database. OECD. <https://www.oecd.org/en/data/datasets/oecd-family-database.html>
- Pekkarinen, J., & Vartiainen, J. (1993). *Suomen talouspolitiikan pitkä linja [The long line of Finnish economic policy]*. WSOY.
- Räsänen, T., Österbacka, E., Valaste, M., & Haataja, A. (2019). *Lastenhoidon tukien vaikutus äitien osallistumiseen työmarkkinoille [Impacts of the child care support system on mothers' labour market participation]*. Kela, Sosiaali- ja terveysturvan raportteja 14.
- Rawls, J. (1972/1999). *A theory of justice*. Oxford University Press
- Ringén, S. (2023). *The story of Scandinavia. From the Vikings to social democracy*. Weidenfeld & Nicolson.
- Rosenkrantz-Theil, P. (2019). *Hvilket velfærdssamfund? [Which welfare society?]*. Forlaget AXL.
- Rosenkrantz-Theil, P., & Hækkerup, K. (2018). *Det betaler sig at investere i mennesker [It pays to invest in people]*. Forlaget AXL.
- Rowntree, S. (1901). *Poverty. The study of town life*. Macmillan.
- Sitra (2025). About Sitra. <https://www.sitra.fi/en/>
- Statista (1999). Percentage of working population in agriculture in selected European countries in 1930 and 1980. <https://www.statista.com/statistics/1005657/share-working-population-agriculture-europe-1930-1980/>
- Stephens, J. (1979). *The transition from capitalism to socialism*. Palgrave/Macmillan.
- Swenson, P. (2002). *Capitalists against markets*. Oxford University Press.