

REPORT

REPORT: WELFARE STATE MODEL – NORDIC EXPERIENCES AND PERSPECTIVES IN LITHUANIA

Romualdas Bakutis

ABSTRACT

The aim of this article is to review the ideas presented by the Nordic scholars of the “Welfare State Model – Nordic Experiences and Perspectives in Lithuania” project and to discuss the applicability of these ideas to the Lithuanian context. During the program, held in Lithuania, in 2013–2014, Nordic scholars and their Lithuanian colleagues debated Nordic welfare model features such as active labour market policies, family policies, digital welfare innovations, the role of culture, and social trust. They also discussed contemporary challenges to Nordic success. The project intended to: promote the Nordic countries’ experiences of becoming welfare states, increase knowledge of the Nordic welfare model among Lithuanians, and initiate a debate on the potential for this model to function in Lithuania.

INTRODUCTION

At least rhetorically, the Nordic countries serve as a key model directing Lithuanian foreign policy, and, to some extent, internal policy. This choice is recognized by all major political groups, from the Lithuanian Social Democratic party on the left to the Homeland Union-Lithuanian Christian Democrats on the right.¹ Also, the recently re-elected president, Dalia Grybauskaitė is usually seen as a leading supporter of Lithuania’s Scandinavian course.

The determination to formally become an integral, successful, politically, and economically consolidated part of the Nordic-Baltic region is expressed in Lithuania’s Progress Strategy document, “Lithuania 2030,” which reflects a national vision with development priorities and guidelines for their implementation by 2030. “Lithuania 2030” is the culmination of the joint

ROMUALDAS BAKUTIS, Institute of International Relations and Political Science, Vilnius University, Vokiečių Str. 10, LT-01130, Vilnius, Lithuania, rom.bakutis@gmail.com.

¹ Grybauskaitė: *Cooperation with Nordic States is our key priority*, 2011. Available from: <<http://www.lithuaniantribune.com/6948/grybauskaite-cooperation-with-nordic-states-is-our-key-priority-20116948/>> [16 December 2014].

Lithuania’s Nordic Direction: Going against history and emotions? 2012. <<http://www.15min.lt/en/article/world/lithuania-s-nordic-direction-going-against-history-and-emotions-529-249007>> [16 December 2014].

Lithuania’s strategists look in the Nordic direction, 2012. <<http://www.15min.lt/en/article/world/lithuania-s-strategists-look-in-the-nordic-direction-529-238492>> [16 December 2014].

Party Program of the Lithuanian Social Democratic Party (available only in Lithuanian), 2009. <<http://lsdp.lt/apie-partija/programos/partijos-programa>> [16 December 2014].

efforts of three State Progress Council task forces composed of government representatives and prominent figures in business, culture, art, science, and public life.

Guided by the national strategy plan “Lithuania 2030”, the Nordic Council of Ministers Office in Lithuania and the State Progress Council, together with the Office of the Government of the Republic of Lithuania, the Institute of International Relations and Political Science at Vilnius University, Kaunas University of Technology, the Embassy of Sweden in Lithuania, the Embassy of Finland in Lithuania, and the Embassy of Norway in Lithuania organized the “Welfare State Model – Nordic Experiences and Perspectives in Lithuania” project that intended to: promote the Nordic countries’ experiences of becoming welfare states, increase knowledge of the Nordic welfare model among Lithuanians, and initiate a debate on the potential for this model to function in Lithuania.

During the program, held in Lithuania, in 2013–2014, Nordic scholars² and their Lithuanian colleagues debated Nordic welfare model features such as active labour market policies, family policies, digital welfare innovations, the role of culture, and social trust. They also discussed contemporary challenges to Nordic success. This article aims to review the ideas presented by the Nordic scholars and discuss their applicability in Lithuania.

1. DEFINING THE NORDIC MODEL: THEORY AND PRACTICE

Scandinavian countries have long been renowned for their policies that promote social and personal well-being, but if one is going to refer to a societal model, it is logical to start by asking, “What defines a successful society?” The program’s keynote speaker, Dr. Bo Rothstein of the Faculty of the Political Sciences of the University of Gothenburg borrowed his starting point from Amartya Sen, Martha Nussbaum, and John Rawls. These philosophers put forward the “capabilities approach” idea. According to them, there is no point in thinking about general equality as it is impossible to equalize unique human abilities such as those required to be a skilled musician or a first-rate ballet dancer. However, philosophers suggest that successful societies can increase the possibility for those who have ambitions in these fields to realize their potential by providing them with basic resources and services to enhance their capabilities. Rothstein emphasizes that one should not be confused about the standards of a successful society: healthcare, education, and social insurance systems.

From an empirical standpoint, Rothstein advocates the Nordic welfare system by proving, to a surprising degree, that the Social Democratic “capabilities approach” model outperforms not only the low tax and low public spending neo-liberal model, but also the more centrist Christian-Democratic model. Although there are different strategies for defining successful societies, Rothstein’s analyses uses a meta index that combines 15 widely recognized indices used to evaluate and rank countries’ political, economic, and social performances.³ Rothstein’s

² Key guests of the project were Bo Rothstein, Anne Skevik Grødem, Thomas Børner, Clas-Uno Frykholm, Jon Kvist, Bjørn Hvinden, Klas Eklund, and Sixten Korkman.

³ Rankings of countries used by Rothstein: Human Development (UNDP), Economic equality (OECD), Economic competitiveness (WEF), GDP/capita (World Bank), Democracy (The Economist), Globalization (The Swiss Economic Institute), Political Freedom (Freedom House), Gender Equality (WES), Social trust (QoG Institute), Corruption

analysis indicates that Sweden, Denmark, Iceland, Norway, and Finland are the leading five countries in overall national performance.

Moreover, Rothstein used Wilkinson and Pickett's measure of the relationship between income inequality, and health and social problems. Wilkinson and Pickett's index of the latter consists of life expectancy, math and literacy, infant mortality, homicide, imprisonment, teenage births, trust, obesity, mental illness, and social mobility rates. Researchers found a strong correlation between these issues and inequality among Organisation for Economic Co-operation and Development (OECD) countries. Once again, the Nordic countries led the list with fewer health and social problems and lower income inequality (Wilkinson & Pickett, 2009).

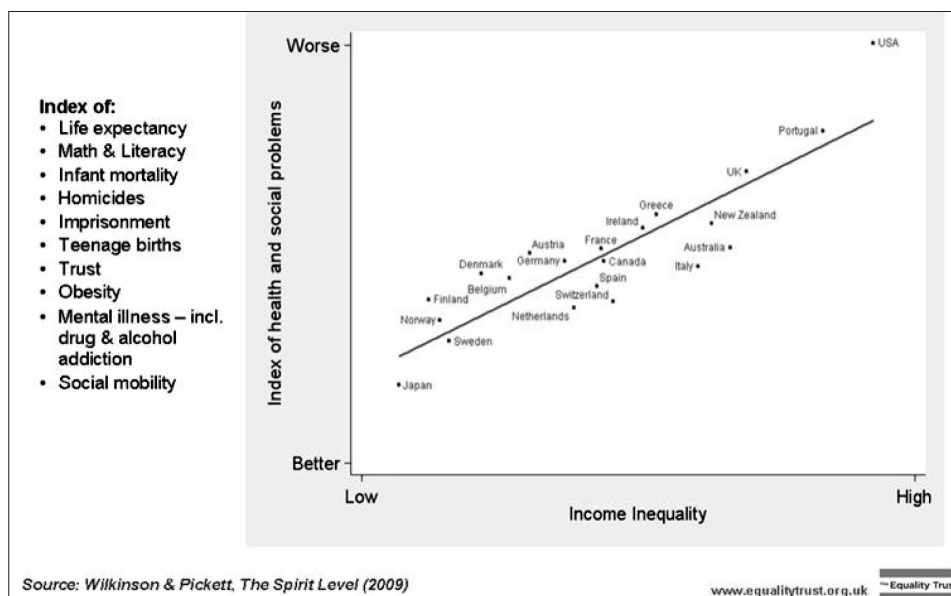


FIGURE 1. Health and Social Problems are Worse in More Unequal Countries

Source: lecture of Bo Rothstein at Vilnius University, 17th September 2013,
http://www.lietuva2030.lt/images/stories/Photo/bo_pranesimas.pdf

Another guest, Klas Eklund, a senior economist with the Swedish financial group, Skandinaviska Enskilda Banken (SEB), pointed out that according to the World Economic Forum data, Norway, Sweden, Denmark, and Finland outperform the European Union economy on every indicator in the figure below. Moreover, Nordic countries are behind the United States only in a few aspects of the study: the US has an obviously larger market size and ranked slightly better in labour market efficiency, innovation, and infrastructure ratings.

Prof. Bjørn Hvinden, a sociologist from Norwegian Social Research (NOVA), a Norwegian social science research institute, and UiT the Arctic University of Norway, summarized the

(Transparency International), Environmental Protection (Yale, WEF), Doing Business (World Bank), Knowledge Economy (World Bank), Innovation (Global Innovation Report), Good Society Index (Quality of Government Institute, Gothenburg).

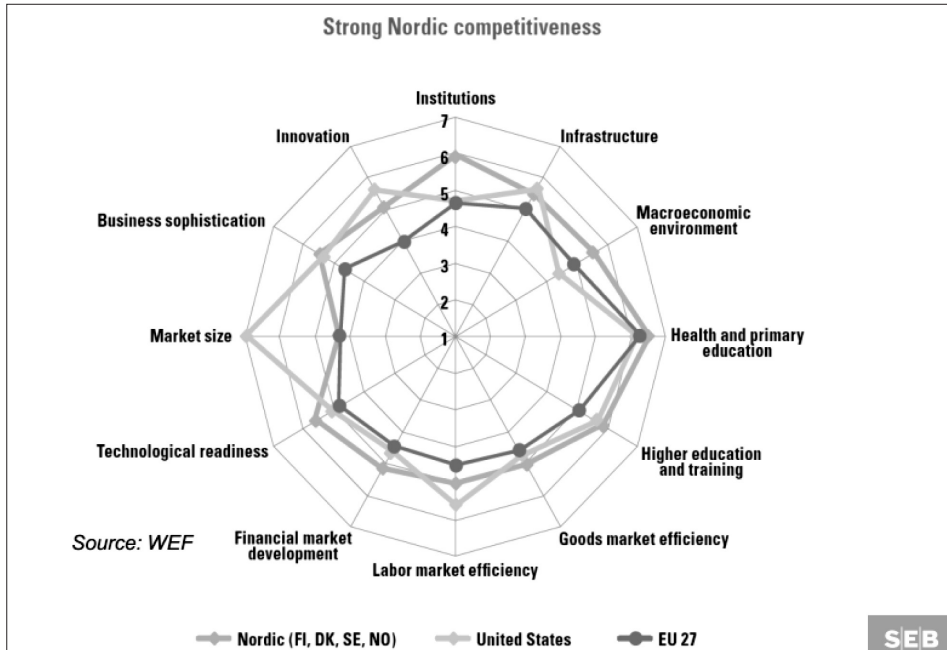


FIGURE 2. Now: Nordic strength

Source: Presentation of Klas Eklund, Final event of the State progress forum at Lithuanian Parliament, 21st March 2014, http://www.lietuva2030.lt/images/stories/Photo/uzdarymas/2_k_eklund.pdf

peculiarities of the Nordic model. To Hvinden, the Nordic Model, as a core, presents the idea that it is possible to reconcile and even achieve a synergy between economic efficiency, equal opportunities and, to a limited extent, environmental sustainability. In the Nordic countries one can usually observe broad public support for policies containing universal “cradle to grave” provisions. These policies cover a wide range of risks and contingencies designed to protect citizens against income loss and ensure access to high quality services regardless of personal income.

To sustain such costly policies it is necessary to achieve high employment rates through active labour market measures and close collaborations between employers federations, trade unions, and the government. The Nordic countries also have at least twice the share of renewable energy in their gross energy supply than European Union economies do. It should be noted, however, that the EU outperforms Nordic countries in cutting greenhouse gas emissions.

2. THE DEVELOPMENT OF THE UNIVERSAL WELFARE STATE

The Nordic countries have not always been progressive social and economic policy leaders. For example, in early nineteenth century Sweden it was common for civil servants and military officers to buy and sell positions within their corps. The dramatic, non-incremental change to a Weberian style civil service came between 1860 and 1875. Some scholars speculate that

genuine institutional change in Sweden was facilitated by crushing military defeats, which forced the elite to implement political reforms (Rothstein, 2011). Rothstein argues that the development of the contemporary Swedish welfare model is a more recent story.

Gustav Möller, the father of the Swedish social security system was a member of Parliament from 1918 to 1954 and a member of the Government three times: 1924-26, 1932-36 and 1936-51. Despite being a Marxist, in 1948 Möller realized that contrary to Marxist predictions, the industrial proletariat group was not growing. Instead, the white-collar strata had started to grow larger than the traditional working class. It was clear to him that something should be done as the white-collar strata would eventually play a key role in elections. If the Swedish Social Democrats were to continue in power, the party would need to create new policies that would appeal to white-collar workers without alienating the party's traditional voters.

The first step in solving this strategic dilemma was to offer a conceptual innovation – a change in political communication. Social Democrats decided to redefine the separate and antagonizing “worker” and “middle class” cliques into a single group of “wage-earners.” They also stopped talking about working class or middle class politics –only the politics of wage earners remained.

In terms of policy, Social Democrats put a much stronger emphasis on education and gender equality, and introduced universal social services and benefits, and an income-related social insurance system. Rothstein emphasized, however, that Möller created these policies “from above” – these changes were not organically inherited entirely from Sweden's past.

As we can see, one of the motives behind the creation of universal social services was certainly political. Möller had to convince the middle class to accept high taxes, which were needed to support the expanding government. He was certain that purely redistributing wealth from the rich and middle class to the poor would not only fail, it would politically harm Social Democrats. On the other hand, if universal programs were directed to all, in principle, the new welfare state model would be politically sustainable. To put it simply, Möller's idea was “to tax everyone equally and give to everyone equally.”

3. THE WELFARE STATE: UNIVERSAL OR ROBIN HOOD REDISTRIBUTION?

During his lecture, in the following table, Rothstein offered an idealized version of how such a system works. Here we have five classes with a hypothetical income distribution ratio of 1:5. After applying a flat tax and a universal spending regime, the initial income distribution goes from 1:5 to 1:2.33. Therefore, this model implies that a flat tax system combined with universal benefits and services is likely to have more progressive effects than the targeted systems found in many real world countries.

The crucial aspect of this model is that its policies do not cater to small social segments but cover the entire population. According to Rothstein, universal programs tend to increase social cohesion and social trust because people then see themselves as a part of society. The universal model also avoids stigmatizing needs-assessments with their inherent discretionary power. Therefore, contrary to the popular belief that Nordic model promotes collectivism, it is clear that the Scandinavian welfare state is all about individuals, not classes, occupation,

How does the system work?

Group	Average income	Tax (40%)	Transfers	Net Income
A (20%)	1000	400	240	840
B (20%)	800	320	240	720
C (20%)	600	240	240	600
D (20%)	400	160	240	480
E (20%)	200	80	240	360
Ratio between groups A & E	5/1	(= 1200)	(1200/5=24)	2.33/1

FIGURE 3.

Source: lecture of Bo Rothstein at Vilnius University, 17th September 2013, http://www.lietuva2030.lt/images/stories/Photo/bo_pranesimas.pdf

religion, gender, ethnicity, sexual orientations, or any other form of collective categorization.

Jon Kvist, another participant of the project and a professor at the Centre for Welfare State Research in the Department of Political Science at the University of Southern Denmark, noted that Robin Hood style wealth redistributions from the rich to the poor are actually more common in the neoliberal Anglo-Saxon welfare model. He argued that in the neoliberal state, individuals can only get state support if they are really destitute and cannot get help from the

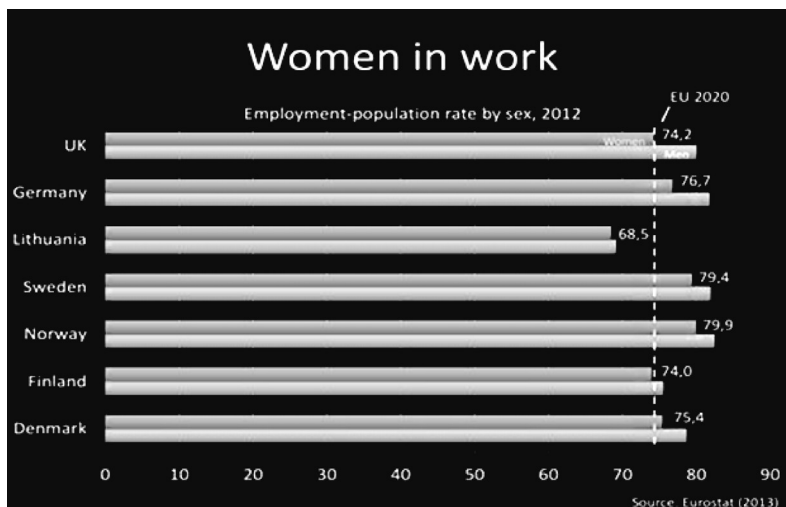


FIGURE 4.

Lecture of Jon Kvist at Vilnius University, 11th of December 2013, http://www.lietuva2030.lt/images/stories/Photo/darbo_rinka/kvist.pdf

market or family. In these cases of demonstrated destitution, the state redistributes wealth from the rich to the poor. However, the aim of the Nordic model is to prevent people from becoming poor, so they will not need a Robin Hood to redistribute wealth to them.

To Kvist, the Scandinavian model is implemented through the “intergenerational contract.” This contract relies on those of working age to finance the wellbeing of youth and the elderly. This technique is feasible because individuals expect to benefit at the latter stage of the contract. Working people in this framework understand that they are “paying back” services they received during their childhood and “paying forward” services they will receive in the future. Kvist noted that this intergenerational contract cannot be sustained if those of working age do not work, or if those of a fertile age do not produce at least two children. While the latter aspect might be a bit problematic, the average Nordic families have only 1.8 to 1.9 children, the Scandinavian model outperforms its neighbours in regards to the employment of males and females. Although Nordic men do not work more than their counterparts in other Western European countries, Nordic women in the labour market work more than women in other countries. Hence, the high rate of women participating in the labour market generates more taxes to sustain the welfare model.

4. NEOLIBERAL FAILURE

A central debate in the social sciences is the relationship between prosperity and public spending. One of the most common critiques of the Nordic model from the right is that the high level of taxation hinders economic growth. However, Rothstein argues that neoliberal economic theory fails to justify low public spending as a catalyst for economic growth. Scientists actually see the opposite: poor countries have low levels of public spending while rich countries not only spend more, but also demonstrate lower levels of corruption and higher levels of social trust.

For example, Nobel laureate Douglas North shows that in countries with an annual GDP per capita that exceeds \$20,000, public expenditures account for an average of 53% of GDP; in countries with an annual GDP per capita below \$10,000, public expenditures are an average 27-33% of GDP (North, 2009). Rothstein added that economic wealth requires a large public sector because successful societies depend on a large set of public (or merit) goods.

5. INSTITUTIONS, TRUST AND SOCIAL MOBILIZATION

From Rothstein’s point of view, what is at stake, however, is not how much the government taxes and spends, but what motivates or turns people away from supporting social solidarity. His thesis is that public support depends on high levels of trust in their public administration. To make a long story short, an acceptance of high levels of taxation requires trusting that most other people also pay these taxes. Secondly, high benefits require people to trust that most people are not abusing or overusing benefits. Thus, non-cooperation may be rational when people do not trust others to cooperate. Therefore, behaviour is determined by strategic thinking: what people are willing to do depends on what they think other agents will do.

Moreover, when one decides whether or not to trust most people, he calculates whether or not to trust authorities. People have to be convinced that a policy can be implemented in

a fair way. For example, if the local policeman asks for bribes and is generally incompetent, it is reasonable to assume that people will come to think that they need to engage in corrupt practices in order to get what they want. Thus, neither others, nor authorities will be trusted. The basic implication of this is that social trust is only generated “from above,” because only institutional performance can manufacture or destroy social trust. Ultimately, the design and behaviour of institutions manufacture sustainable social and economic equality.

These theoretical considerations are well grounded in empirical facts. During his presentation, Rothstein introduced the results of his recent studies that made it explicitly clear that a person in a European country who perceives poor quality of government in their country will support lower taxes and less social spending despite favouring increased economic equality. On the contrary, a similar person in a European country who favours more economic equality yet perceives the quality of their government to be high, supports more social spending and accepts higher taxes. The logic of virtuous and vicious cycles is evident: although a high level of quality of government is a necessary requirement for the mass electoral support for this model, once public support established, it is unlikely to wane. And, if the quality of government is low, it is unlikely that people will support the establishment of a universal welfare state. To be more precise, if one wants a more egalitarian society, institutional design will matter more than engaging in ideological mobilisations for equality. This lesson of Rothstein is important because it tells us that trying to mobilise political support for increased equality by referring to altruistic motives is likely to fail (Rothstein, 2011).

6. BACK TO THE DETAILS: WHAT SUSTAINS THE LABOUR MARKET?

What institutions and policies should be established to sustain the Nordic welfare model in a society with a high level of trust in public institutions and between people? To Kvist, the key dimension of the Nordic model is a social investments approach that spans a broad range of policies over the life-course of an individual. The main idea of this approach depends on the assumption that Nordic welfare policies are not only about compensation and redistribution, but are also returns on investments in human capital (Kvist, 2013).

Therefore, in early childhood, policies guaranteeing childcare and a pre-school education provide the basis for acquiring the skills necessary to establish life-long learning habits. Primary, secondary, and tertiary educations provide students with general and more specific skill sets required to meet the demands of the labour market. Childcare and social care packages encourage people of working age to raise children. Various life-long learning programs and active labour market policies allow them to update their skills to accommodate changing market demands. Later, in old age, various social investment policies give the elderly the opportunity to stay in the labour market longer, which results in fewer early retirements and and better health . Hence, such human capital investment policies can reduce the costs of healthcare and social care (Kvist, 2013).

During his presentation in Vilnius, Kvist discussed only one type of social investment policy, labour market policies. The labour market policies Kvist reviewed are designed to sustain high employment rates in order to generate the tax revenue needed to provide the

universal benefits and services required to maintain social trust. Labour market investment policies can be divided into “passive” and “active” categories. Measures for offsetting income loss during a period of unemployment, for example, are referred to as passive labour market policies. Active labour market policies are government programs that help the unemployed find work. Kvist proposed that it is pertinent to combine passive and active labour market policies in a way that motivates passive benefit recipients to participate in the labour market.

The Nordic countries have several instruments in place to prevent a “free ride” scenario. For example, in the 1990s Denmark spearheaded labour market policy reforms throughout Europe by refining the concept that while people have rights to unemployment insurance systems, they also have an obligation to work. At that time, all European countries started to increase obligations of the unemployed to search for work, otherwise they would lose their social benefits. Another line of active labour market policies consists of public employment services such as job centres, various training schemes that help the unemployed improve their vocational skills, and even job subsidies to make hiring unemployed persons more attractive to employers. Active labour market policies can also be tailored to different occupations, socio-economic groups, and geographical regions. Some policies might be targeted at different purposes: start-ups, those who are entering the labour market or those who want to return to the labour market after rehabilitation.

The time period when active labour market policies are introduced might also be crucial. Kvist stated that education oriented policies bring the total length of the unemployment benefit period down by ten weeks. However, this policy is effective only during good economic situations. When educational offers are given during economic recessions people cannot find a job after finishing their program, hence, such policies only extend the unemployment period during recessions.

Kvist then presented four active labour market policy effects. Firstly, programs increase participants’ qualifications to match the demands of the labour market. A negative side of this is that people might enjoy training so much that they avoid a direct return to the labour market. However, motivation can counter this. According to Kvist, active labour market policies often work as a deterrence mechanism because people do not usually like to be involved in retraining programs. Therefore, retraining programs encourage workers to find another job as quickly as possible instead of using social benefits. The last recently realized effect deals with sorting out issues that force some people to retain their jobs because they are afraid to be involved in active labour market programs.

Another half of labour market policies link benefits with active programs. It is common for low wage earners to receive unemployment insurance that covers 90 per cent of their previous wage while average earners usually receive only 60 per cent. In theory this should force middle class recipients not to rely on unemployment assistance, but to actively seek new jobs. In the long run, unemployment insurance is replaced by social assistance, which again is bitter for the average earner. Low wage earners then receive an amount of money that covers only 60 per cent of their previous wage and average wage earners get only 30 per cent. However, at the same time, more severe active labour market policies are introduced from simple job search courses to targeted programs like training courses.

The downside of labour market policies is their cost but, according to Kvist, no reasonable alternative exists. If people cannot support themselves and the state is not helping them, their last resort is either family or participation in the illegal labour market. Kvist argued that the latter choice is often made in the United States. The US has one of the highest incarceration rates in the world. According to data collected by the International Centre for Prison Studies, in 2012 the US incarcerated 716 persons per 100,000 while in the Nordic countries, no more than 60 to 70 persons per 100,000 were incarcerated.⁴ The simple point is that without money or programs to re-enter the labour market, people will find other survival niches. Criminal activity might not be an attractive solution, but in the absence of state assistance, it could be the only efficient solution. Hence, Kvist offered a choice: pay for more labour market policies or sustain a penal system.

To sum up, the Nordic welfare model should be understood as an irrigation system that is watering the economy. Unemployment insurance cancels the need to turn to criminal activities; human capital investments increase qualifications to match the labour market demands; and at the same time, active labour market policies police free riders. Therefore, reducing social inequalities is not just a purpose in itself, but in many instances may also be cost-effective.

7. THE ROLE OF CULTURE IN THE NORDIC WELFARE STATE

Another guest from Sweden, Clas-Uno Frykholm, Executive Director of the Swedish Agency for Cultural Policy Analyses, argued that a well-functioning labour market is not enough to sustain the Scandinavian model. According to him, cultural policy is an indivisible part of the Nordic welfare state. Frykholm asserted that culture must include an economic dimension and should be understood more broadly as a way to create and maintain social cohesion, stimulate creativity and productivity, and attract competence and capital. Several decades ago it was common to think that jobs, housing, childcare, and a good business environment alone would attract investments and workers. But for today's most skilled professionals these variables alone cannot satisfy their needs as people now value spare time more than before. To paraphrase the old saying, "merely bread is not enough for the contemporary labour force, they also need spectacles." Therefore, culture is a resource that attracts innovators and, hence, a means to create growth and social development.

To realize these aims, Sweden introduced several types of policies. The government of Sweden introduced the Cultural Cooperation Model in 2011 and all regions, except Stockholm, participate in the model. The regions receive three years of cultural funding from the central government in a lump sum. Funding is based on the regions' Cultural Development Plans. The only formal demand placed on the regions is that certain areas of culture identified by the government should be covered in the region's plans.

An entrepreneurial spirit among artists is another common feature that is growing in Scandinavia. During the last decades, the cultural sector of some Nordic countries leaned more on profit maximising activities to fund artistic endeavours than on seeking money from

⁴ International Centre for Prison Studies, 2013.

public organizations. Crowd funding, and specific funds given by patrons for cultural purposes, are among artists' new financing models.

8. DIGITAL WELFARE - SOLUTIONS TO UPCOMING CHALLENGES?

Although the Nordic model appears to produce good results, not everyone is impressed with its prospects. Thomas Børner, adviser to the Ministry of Finance in Denmark, and Chairman of the Social Welfare Technology Fund, presented potential challenges to and possible solutions for the Danish welfare state. In 2007, it was clear to Børner that Denmark would need to confront demographic challenges as the country was rapidly approaching an increased demand for the care and treatment of the elderly. For example, about 25 per cent of Danish public sector employees will retire within the next six to seven years. They will become new users of public services. Thus, growing public expectations of social services will intersect with strained resources due to debt and financial crisis.

In order to cope with these challenges, according to Børner, the Danish government decided to rethink the way society delivers care and treatment. It has been suggested that the challenges mentioned could be solved with the intensive use of user-oriented digital solutions that might produce the same quality services for less, or provide better services for the same cost.

Børner proposed that if a society wants to develop a digital welfare model, it must innovate. He said, however, that this innovation would not come from the private sector. Everything begins, he said, when the public actor uncovers problems and challenges. After the cost reducing consequences of digital solutions is made clear, the usual practice is to consult private actors.

Two main Danish initiatives to develop a digital welfare model included eGovernment Strategy 2011-2015, heralded as "the digital route to future welfare," and The Public Welfare Technology Foundation that is a program for promoting demand-driven innovation. The former aims to digitize 80 per cent of the communication between citizens, municipalities and companies by 2015. Secondly, it hopes to implement closer digital collaborations in the public sector. This entails a common infrastructure of digital technologies for public sector management with shared core data built between the state, regions, and municipalities.

To put this into practice, the health care sector's main initiatives are to fully digitalize clinical workplaces and creating electronic healthcare records at all hospitals. A digital design saves professionals' time because they no longer need to spend their working hours looking for patient information. Patients' X-rays, test results, and medications are immediately accessible. Another crucial initiative is the action plan for "rolling out" telemedicine by 2015. This program will allow patients to use tele-solutions (web journals, mobile phones, digital photos) to consult clinical experts without directly visiting the hospital. By using telemedicine, nurses can remotely examine and evaluate the condition of foot and leg ulcers, or any other wounds, to determine whether a person needs hospitalization. There are also projects for the nationwide establishment of infrastructure to collect and distribute the medical data of citizens with chronic diseases through home monitoring. For instance, one initiative focuses on round-the-clock monitoring of cardiac patients with pacemakers. The project aims to

give patients wireless “intelligent band-aids” with sensors that monitor EKG, heartbeat, and sounds from the patient’s lungs. These constant measurements can give medical specialists an early warning of complications and an improved ability to deliver treatment quickly. One more initiative deals with assisting the elderly and infirm with mobility disabilities. Børner revealed that there are 25,000 people in Denmark who must be lifted from their beds to the toilet, a task that usually requires two employees. However, ceiling-mounted hoist systems, and electrically elevating showers, commodes, and care chairs now require only one employee to facilitate 75 per cent of all patient movements.

At first, these innovations did not attract much interest; hence, the Public Welfare Technology Foundation was founded in 2007. The Danish government donated 400 billion euro to the foundation to test and proliferate new technology. According to Børner, from 2009 to 2012, the Public Welfare Technology Foundation supported more than 70 projects and funded 75 per cent of their costs. This was usually done, firstly, by asking municipalities and hospitals to send funding requests to implement digital solutions. The aim of this competitive, application-based funding model is to make risk-based funds available to those who establish a strong business case. Projects with strong business cases later could be implemented nationally so that practitioners using the better technology would be able to provide more services to their clients and patients. Børner emphasized the importance of this business model throughout the project chain: by documenting the advantage of new solutions over current practices, the foundation succeeds in identifying a digital welfare innovation’s efficiency gains, costs, return on investment, and quality.

9. THE NORDIC MODEL IN LITHUANIA: A BIG BANG APPROACH?

During the events and discussions, presentations were delivered not only by scholars from the Nordic states, but by their Lithuanian colleagues as well. Their main objectives were to explain the assumptions that ground the Lithuanian welfare model and to then debate whether the Nordic way has any applicability in Lithuania.

During the discussions, Romas Lazutka of the Faculty of Philosophy of the University of Vilnius proposed three influences on the Lithuanian social welfare system, and none of them were Scandinavian. He defined the Lithuanian model as a mixture of Bismarckian, Soviet, and Anglo-Saxon welfare elements. The Lithuanian social welfare system’s German legacy comes from the interwar period. During that time, Lithuania was an agrarian economy; and although the government established some healthcare funds, it did not develop a universal welfare system. Wider social protection was developed after World War II under Soviet rule in the context of a command economy and a totalitarian regime. High employment rates for women, and universal healthcare and education were the substantial achievements of that period. However, after the collapse of the USSR, Lithuania started to reform in an era of globalisation and “Washington consensus” neoliberal policy initiatives.

The heritage of these systems do not mix well and, hence, Lazutka identified at least a few flaws of contemporary Lithuania that make the Scandinavian model very difficult to implement. Firstly, Lithuania lacks rule of law in the labour market: although there are

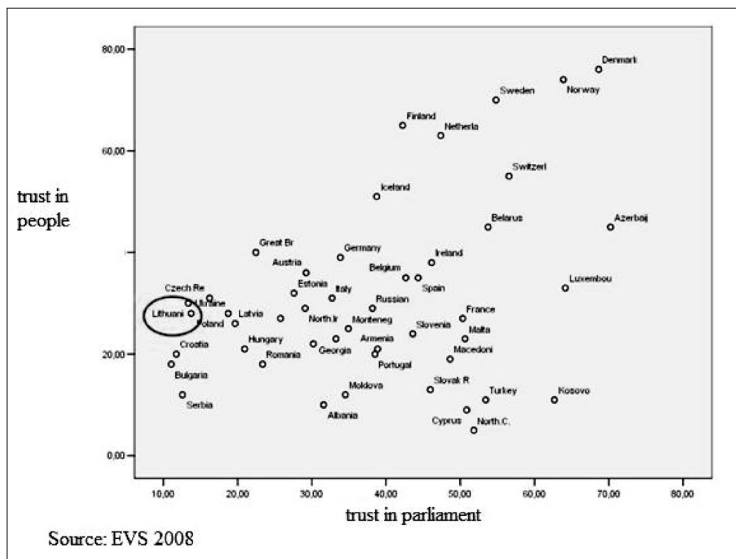


FIGURE 5.

Presentation of Ainė Ramonaitė and Liutauras Gudžinskas, Final event of the State progress forum at Lithuanian Parliament, 21st March 2014, http://www.lietuva2030.lt/images/stories/Photo/uzdarymas/4_ramon_gudzin.pdf

labor market regulations, not everyone follows them. Lazutka noted that even during the economic recession of 2008 to 2010, most employees were forced to leave their jobs under the guise of “mutual agreement” because otherwise Lithuanian labor law requires employer to pay a severance payment. Secondly, it is very difficult to achieve a society-encompassing social contract because the unionization of labour is extremely low (up to 10 per cent of all employees are members of a trade union). Another big problem is the discrepancy between social contributions and benefits. In Lithuania, contributions are a heavy tax burden for labour, in the meantime, social benefits, in addition to low wages, are poor due to tax evasion. Further defects of the Lithuanian social model originate from the widespread belief in the supremacy of neoliberal policy. There is a strong belief among all major political groups that improvements in the general economy will benefit all participants and that economic policy should therefore focus not on the social welfare development but, first and foremost, on the general macroeconomic environment.

Ainė Ramonaitė of the Institute of International Relations and Political Science at Vilnius University pointed out another key element that Lithuania lacks to implement the Nordic model. Ramonaitė said that when asked whether other people can be trusted, Lithuanians are more or less optimistic. On the other hand, trust in political institutions is extremely low in Lithuania. Parliament is trusted by no more than 10 per cent of the population, government by 23 per cent, courts by 24 per cent, municipalities by 30 per cent, and political parties by 7 per cent. Even the police are trusted by only 54 per cent of the population.⁵ According to

⁵ „Trust in institutions.“ 2014. <<http://www.vilmorus.lt/index.php?mact=News,cntnt01,detail,0&cntnt01articleid=7&cntnt01returnid=32>> [16 December 2014]

Ramonaitė, this negative political trust may even become a myth, which might not reflect the real performance of civil services and politicians. There is just a social norm not to trust the government.

A myth then initiates a vicious cycle that is very hard to break. People do not want to pay taxes because they are convinced that the government doesn't deliver services but government institutions cannot improve performance until they have more resources. Another implication of low political trust is massive emigration. When people do not feel that they can change anything in their country and they do not trust that their politicians will make any positive change, they "vote with their legs."

Ramūnas Vilpišauskas, the head of the Institute of International Relations and Political Science at Vilnius University tried to explain where this gap of political trust comes from. During the implementation of transitional reforms, Lithuania gave too little attention to essential issues like defining and stabilising property rights or resolving property disputes. Instead of devoting their attention to such basic institutions like the market economy and property rights, politicians changed "the rules of the game" not only after every election, but even more frequently. By constantly changing the rules and abusing their voters, politicians lost the public's trust because people could not form long-term expectations.

How to shatter this vicious circle? If our beliefs about government depend on a historical construction of collective memories, they can be deconstructed and reconstructed in a very similar way. Ramonaitė emphasizes that to adopt the Nordic model, Lithuania needs a twofold solution.

Professor Sixten Korkman, a guest from Finnish Aalto University, underlined the first step for making Scandinavian style reforms: if government is determined to create, sustain and improve the Nordic model, it, firstly, needs a political system with a strong consensus-based capacity to enact structural reforms. Without strong, broad, and lasting political will, the reforms will be aborted or stagnate. Therefore, there must be real actions from above to create the Nordic model. Reforms must begin with a broad political consensus to improve the quality of institutions. If Lithuania's parliamentary parties can commit to not change policy for at least ten years, Lithuania would take a huge step forward. Although consensus on sensitive ideological matters like type of redistribution or LGBT rights might not emerge, all parties would probably agree on less divisive issues like to preserve property rights, seek low corruption, depoliticize public services, and promote sufficient work and investment incentives.

Social investment policies are another dimension where consensus on a future agenda might be achieved among the different actors of the political spectrum. The former President of the European Commission, José Manuel Barroso, in his State of the Union address in September 2012, praised the Nordic countries for combining the equity of the welfare model and the efficiency of the market (Barroso, 2012). A social investment perspective is exactly what Barroso had in mind as mixing equity and efficiency, combines the ideologies of socialists and neoliberals. On the one hand, it creates a safety net for people who are thrown out of the labour market. On the other hand, this perspective implements various retraining programs that aim for a globally competitive and fully-employed economy. One can even say that the

main goal of the Scandinavian model is similar to that of the neoliberal model, to create an efficient and innovative economy. Yet, in the Scandinavian model, the welfare state's social investment policies further promote this goal by maximising human capital. Thus, the Scandinavian model ultimately establishes a bridge between rival political ideologies.

However, a change in discourse is also instrumental. Lithuania lacks strong media support to promote the Nordic model and Nordic values. Without media support it is not possible to change the narrative of the majority of population, or at least the process would be very long.

Finally, the window of opportunity for political entrepreneurs to act is open. Russian aggression in Ukraine brought many Lithuanians back to the reality. They realized that the safety of their country couldn't be taken for granted and must be secured with heavy military investments. However, to avoid a "little green men" scenario, a strong military will not be sufficient. To resist the new hybrid Russian warfare, the universal Nordic welfare state, which promotes social solidarity, cooperation, and trust between different social classes and the state is as important as military capabilities. If Lithuanians do not act now, it might be too late – this is the narrative government and media should tell to promote the Nordic model.

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