

# Exam SOS2603, 2018

**Question 1. Outline and discuss briefly three (3) of the four (4) following concepts**

Dual earner-dual carer model  
Competence institutions  
Daddy quota  
Earnings-related pensions

**Question 2. Essay**

**Discuss one of the following topics:**

**2A.** Discuss the relationship between gender equality and fertility. Provide empirical illustrations from at least one Nordic country. You should also compare with at least one other country, either a Nordic one, or a non-Nordic one.

**2B.** In studies of the economic and social integration of the immigrant origin populations, recent social research indicate that the Norwegian welfare state has (at least) one possible challenge and one possible advantage. The challenge is the economic integration of low-skilled immigrants, while the advantage is the promotion of social mobility among disadvantaged children, especially children of immigrants.

Explain these two features of the Norwegian welfare state.

In your conclusion, try to give a brief discussion of whether the advantage can compensate for the challenge.

**2C.** After establishing political democracy (universal voting rights) in the early 20th century, the Nordic countries developed social democracy and even elements of economic democracy. But they remained “mixed economies”, with a capitalist economy based on private property where private employers made investment decisions, competing to apply the most efficient technologies.

Discuss the relationship between democracy and capitalism (with its focus on economic efficiency) in at least one Nordic country. Analyse the institutions and organizations that influence this relation in at least one of these areas: the labour market, the welfare state, the educational system.

In your conclusion, discuss whether the relationship between democracy and efficiency has always been a “virtuous” (“good”) circle.

# Assessment guidelines

## SOS2603, 2018

### Dual earner-dual carer model

This is covered in the Ellingsæter lecture, slide 3 (p 2). “Symmetrical engagement of mothers and fathers in market work/unpaid work in the home.”

Furthermore, there is a specification in Ellingsæter, slide 8 (p 4) on key earner-carer policies: <sup>[L]</sup><sub>[SEP]</sub>

“*Parental leave* encourages mother’s continued employment and a redistribution of care from mother to father; but leaves may be of different types 1) equality impeding, 2) equality enabling, 3) equality promoting.”

“*Childcare services*: High quality affordable/accessible subsidised childcare services, redistribute care from family to society, i.e. defamilise care - for under 3s litmus test of modern family policies.” <sup>[L]</sup><sub>[SEP]</sub>

In the Nordic setting, the main contestant is: “*Cash for care*; counteracts redistribution of care, motivated by ‘parental choice’, presuming or neutral to gender traditionalism, familises care.

We should expect the student to provide a general definition, and to mention the two main policies (parental leave and childcare services). The best students will also remember to discuss briefly the tension with cash for care.

### Competence institutions

This term is introduced in Mjøset 2016 (required reading). Cf first lecture slide 30:

Capacity (-building) institutions: schools, other skills-related institutions, innovation and technology policies; includes systems of innovation, systems of competence building.

This is one out of three institutional complexes that organize the analyses of the Nordic models. The two others are:

Social protection institutions: Health, ageing, family, social policies, social insurance

Social partnership institutions: Routines, formal agreements, legal provisions mediating both between certain groups of citizens and the administrative apparatus (e.g. peasants and local bureaucrats in the mid 19th century), and between powerful groups in civil society (such as labour and capital, with state labour market and other policies “facilitating” the deals between these two groups of strongly organized collective actors.

In Mjøset 2016, Table 1, p. 5 (slide 27), the following quick labels are given for the historical roots and development of competence institutions:

*Pre-industrial age:* Protestantism (reading skills since the Bible/Cathechism was to be read in the native language).

*1780s on:* Formal educational, and other institutions of skill formation. Protestant impulse continued with the establishment of a formal school system (Denmark 1814, Norway 1827, the others in the next period).

Post-war period 1940s on: growing importance of expert knowledge.

The comprehensive school system is a key feature of Nordic developments, described as follows (and also discussed in a separate lecture on Nordic educational systems):

The old ‘parallel system’ restricted the number of pupils that could enter grammar schools, which further allowed entry into higher education. The revision of this system is an example of upgrading capacity institutions. All the Nordic countries switched to a comprehensive school system integrating both theoretical and practical education, neutral in terms of class, gender and intelligence. The years were 1962 in Sweden (nine years comprehensive education, decided in 1950), 1968 in Finland, 1969 in Norway (seven years comprehensive education 1936) and 1972 in Denmark and Iceland (Sysiharju 1981, 422–423). In this system, all pupils have a chance of choosing any further educational route. It has relatively few school tracks and few private schools (Denmark is an exception here). Schools do not differ much in terms of their capacity to teach the curricula. Such a system minimizes the effects of class background. Still, it was unavoidable that to some extent the earlier vocational/general education dichotomy was reproduced within secondary schools.

The readings do not contain much information on higher education and research. The role of economics experts, however, is mentioned. The postwar period is described as the “era of economics expertise” (Mjøset 2016, 23).

A new institutional feature was social and economic planning based on expert knowledge. It was not so much a question of new organizations, but of new professions taking important positions in the administrative apparatus that had earlier been entirely dominated by lawyers. A wider spectrum of professions was now engaged in the planning and management of Nordic capitalism, most importantly engineers and economists. They helped to develop interventionist capitalism, beyond non-interventionist ‘rule of law’. (Mjøset 2016, 26)

The lecture on Nordic education systems made a major point of the difference between the Finnish and the other Nordic education systems from about 1970 and onwards. The main point is that Finland retained the experimental style typical of all the primary/secondary school systems in the 1970s, unlike the other countries, there was no sequence of major reforms in the 1980s/1990s. When the first Pisa-measurements were published in 2000, Finland was clearly the best Nordic performer, on par with Singapore and Japan, while the other Nordics were not different from the OECD average.

We should expect the student to provide a general definition, and to mention the comprehensive school system. (We do not require them to mention/define the two other complexes, i.e. partnership and protection institutions.) Whatever they add about higher education and expert knowledge, as well as on the peculiarities of Finland's recent success, is a plus, but not really necessary to get a good grade on this concept.

### *Daddy quota*

This one is easy (and it is in fact a part of the family policy element that is needed to answer the first conceptual question (dual earner-dual carer model) properly). It is of course covered in Anne Lise Ellingsæter's lecture. The daddy quota is a paternity quota: a specific number of weeks of the parental period is set aside for the father. The purpose is to encourage more fathers to take an active role in the care of children during their first year. These weeks cannot be transferred to the mother. They are lost if the father does not use them.

### *Earnings-related pensions*

This concept appears all over the welfare state literature. It is specifically implied in Kangas, Olli, Urban Lundberg and Niels Ploug (2010). "Three Routes to Pension Reform: Politics and Institutions in Reforming Pensions in Denmark, Finland and Sweden", *Social Policy & Administration*, 44:3, 265–284, reading for Mjøset's Welfare state typologies lecture. LM covered it in the final reading, and the power-point for this lecture (posted on the SOS2603 Canvas page) contains this taxonomy of pensions:

	Name(s)	Type	Accruing to	Legislated	Adm	Financed
NP	National pension	Basic (citizens' right)	All legal residents	State (public law)	State (e.g. Nav)	Tax
PS	Pension supplement (guarantee pension)	Means-tested (but with reference to various definitions of income)	All legal residents	State (public law)	State	Tax
IBP	Income-based, earnings-related (ATP)	Indexed to earnings (various formulaes)	Wage earners	State (public law), state is insurer of last resort (ILR)	State	Tax, contributions (employees, employers)
PP	Premium pension	Part of pension into funds (private risk)	All citizens (S: born after 1938) (mandatory)	State (public law), ILR, regulatory	State	Tax, contributions (employees, employers)
OP	Occupational pensions	With employer, private pension insurers, etc	Wage earners (voluntary)	State, ILR, regulatory; but private law	State and/or funds	Contributions

Pri v	Private pensions	Entirely private	Individuals (e.g. self- employed)	Private law, no state involvement	Priva- te citi- zens	Individual savings
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Thus, it is the “IBP” in this scheme (supplementary, ATP kind of pension) that the student should be able to account for. Ideally, all the five characteristics in the IBP-row should be mentioned. There are famous historical turning points too, for instance the 1959 Swedish decision on the Labour party’s model of a generous universal national pension (NP) supplemented by a state-provided earnings-related pension (ATP) scheme. In Denmark and Iceland, on the other hand, the state did not become responsible for such pensions, instead there was OP (Occupational pensions), but these have become parts of collective agreements and thus they are not narrowly “private”, but related to union membership. Besides the Kangas et al article, this is also briefly summarized in a reading for the first lecture on Mjøset, Lars (2016), “The Nordic Route to Development” (required reading).

We should not expect the students to remember all of these details, but if they are weak on the principal characteristics of the supplementary pension, inclusion of some of this historical material might compensate.

## Question 2. Essay

Discuss one of the following topics:

*Note:* In the following, I discuss each of the three alternative essay-topics. I first note which parts of the readings they refer to. I then give some general guidelines for the assessment (what is a good essay), and finally I summarize some main topics from the readings/powerpoints. I do not intend to cover any topic the students could refer to. A clever student may very well write a good essay that include other themes/topics than those I have highlighted. We should reward good social science imagination even in cases where students answers the questions asked in ways that we could not anticipate.

### **2A. Discuss the relationship between gender equality and fertility.**

**Provide empirical illustrations from at least one Nordic country.**

**You should also compare with at least one other country, either a Nordic one, or a non-Nordic one.**

**1. Readings** – This assignment basically refers to Trude Lappegård's second lecture on demography, and the literature that lecture is based on. In addition, students may draw on Anne Lise Ellingsæter's lecture. Note also that there is a slight overlap here with the two concepts under part 1: dual earner/dual carer model and daddy quota – but this essay will require more detailed information and discussion of the link to the demographic variable fertility.

Here are references to the powerpoint slides: Lappegård's second lecture on demography (from slide 28 and onwards). Ellingsæter: Child care regimes (p 3, slides 5-6), family policy change (p. 4, slides 7-8), ideational struggles (p 9, slides 18 on), core values and struggles (p. 13, slides 26-27), women-friendly, gender inclusive citizenship (p. 14, slide 28-29).

**2. Assessment** – A clever essay would include the GRT (Gender revolution theory), and even better: it would include the contrast to the earlier explanatory approach (SDT, second demographic transition). It would further provide at least some points from the two other topics, which are actually specifications of the general link between gender equality and fertility, i.e. the relationship (i) between gender role attitudes and fertility, and (ii) between family policies and fertility.

A really good essay would in addition venture into the open question mentioned at an early point in Lappegård's lecture, namely the recent downward trend in fertility (see slides 13-17). Cf the typology of family patterns below. If they picked up these distinctions, they might ask whether the Nordic countries are moving from the "more family" to the "less family" type (with stronger "individualization"). They may also – alternatively – reason that we are maybe just experiencing a temporary deviation from the general trend, which is (as Esping Andersen is always fond of stating) that the "defamilializing" social democratic countries have proven able to maintain fertility much better than the supposedly family-friendly Catholic countries. (Note that Lappegård is not giving any answers to this question in her slides.)

Some students may have a certain fear for “technical” demographic analysis (especially those coming from the humanities), so we should tolerate essays that draw extensively on the material in Ellingsæter’s family policy lecture.

**3. Summary of relevant topics** – In the following I provide a brief summary of Lappegård’s account:

Slides 27-43 discuss *gender equality and fertility*, contrasting the old, standard explanation with a new one, that is: *Second demographic transition* (SDT) theory challenged by the *gender revolution theory* (GRT).

SDT: Indicators emphasized: the relationship between increasing divorce rates, increasing cohabitation, and the outcome: decreasing fertility rates.

(1) Individualization thesis (non-materialistic needs, plan your life-course, individualist perspective) → (2) less restraints on choices made, intimate relationships looser. In addition: (3) Modern contraception (sexual activity ≠ reproduction, women empowered, allows personal family planning). My guess is that this can be linked to an overall modernization theory, claiming that there would be a direct link between increasing female labour force participation and reduced fertility.

GRT: An early version in the 1970s/80s emphasized changing gender roles and changes in family life, with a focus on gender specialization and opportunity costs. The early claim was that fertility decline was due to increased female empowerment.

A developed version in the 1990s specified that family policy would be an intervening factor between female employment rate and fertility. It could reduce women’s opportunity costs (when it comes to having children). A macro and a micro process is distinguished:

Public sphere (macro) – More women in the labour force, higher educational achievement of women, more women politicians increases women’s independence. Concern for gender equality is more strongly voiced in the public sphere.

Private sphere (micro) – Men becomes more active in family/housework/childcare. This implies more gender equality in private sphere.

#### *Typology of family patterns*

Type	Characteristics	Fertility
Traditional	Low gender equality in both public and private spheres, high sex specialization, high fertility, low divorce	Relatively high
“Less family”	High gender equality macro/public sphere, but low gender equality in micro/private sphere: less benefits of being married, divorce easier, more pressure on family.	Lower
“More family”	High in both spheres: family still important, less pressure on the families, lower divorces.	Higher

Slides 44-49 cover *Gender role attitudes and fertility*.

There has been a major change of attitudes towards mother's role in family. The survey question "Children under school age will suffer if mother is working": 1977: 60% yes, 1988: 35% yes, 2007: 8% yes.

The comparative question is why some countries embrace norms of gender equality more rapidly/homogenously than others. These factors are mentioned:

- development of the gender revolution
- the nature of family/social policies,
- degree of social stratification (influencing the diffusion of such norms)

Slides 50-55 cover *Family policy and fertility*

The major question here is why there are differences between low and only moderately low fertility. The evidence indicates that fertility rates are broadly correlated with "the extent to which governments and employers provide support to families with children" (slide 51). Two groups of countries are distinguished. In this table, I have the two types horizontally, and the vertical dimension distinguishes (besides the list of countries) various (comparative) properties of the two types. (This makes the table more detailed than the one found in Lappegård's slides.) I am here adding to the slide, as is indicated by the statements in brackets [].



	1 [Non-traditional – most developed in Nordic area] [Dual earner/carer type] TFR > 1,5	2 [Traditional] [Male breadwinner/female caregiver] TFR < 1,5
Countries	United States, Iceland, Ireland, New Zealand, France, Norway, Denmark, Finland, Australia, Netherlands, Sweden, Britain, Luxemburg, Belgium, Canada	Portugal, Switzerland, Malta, Austria, Germany, Spain, Italy, Japan, Greece, Singapore, South Korea, Hong Kong
Traditional view of state/family relations	[A stronger tradition for state policies that affect families]	Share a strong tradition in which family and state are separate entities and families are expected to support their own members without intervention from the state
Institutional arrangements	Notable for the family-friendly institutional arrangements that they have implemented in the past 30 years and for relatively higher levels of gender equity within the family	[These states have been slow to implement family assistance measures]
Size of service sector	Larger service and public sector than group 2 countries...	[Lower than group 1]
Female employment	... which are more likely to employ women	[Less likely]
Work environment	... and to have family-friendly work environment	[Less family-friendly]
Responsibility for family caring and maintenance (beyond income)	[Shared between husband/wife, marginalization of male breadwinner model]	falls almost exclusively upon women, i.e. the male breadwinner model of the family remains largely intact
Outcome	Both higher fertility and (female) labor market participation than group 2 countries	Lower fertility and (female) labor market participation than group 1

The slides, however, also emphasize that there is a complex link between public policy and fertility, findings actually vary. What matters is

- type of policies
- level of benefits
- conditions of eligibility
- broader context of economic, social, political development



**2B. In studies of the economic and social integration of the immigrant origin populations, recent social research indicate that the Norwegian welfare state has (at least) one possible challenge and one possible advantage. The challenge is the economic integration of low-skilled immigrants, while the advantage is the promotion of social mobility among disadvantaged children, especially children of immigrants.**

**Explain these two features of the Norwegian welfare state.**

**In your conclusion, try to give a brief discussion of whether the advantage can compensate for the challenge.**

**1. Readings** – This is probably the most challenging assignment in this year’s exam, and my guess is that not very many students will chose it. It refers directly to Are Skeie Hermansen’s lecture “Socioeconomic integration among immigrants and their descendants: empirical patterns and potential implications”, and the required readings listed in conjunction with that lecture. It will be possible for the students also to draw some material from Laura Führer’s lecture: “Immigration and the Nordic welfare state: Citizenship policies in Scandinavia”, but the two trends asked about are only discussed in Hermansen’s lecture.

**2. Assessment** – As you can see from my summary below, Hermansen’s analysis is quite dense and detailed. The main question for the essay is that the students explain the two trends (highlighted in my summary below). A good essay will be able to reproduce some of the factors (behind each of the two trends) discussed in Hermansen’s lecture.

Note that the last question (“try to give a brief discussion of whether the advantage can compensate for the challenge”) invites the students to speculate (or mobilize their social science imagination) as they write out their conclusion. We will reward the few students that possibly comes up with some clever statements here, but an essay can get very good grades even if it does not provide much on this “residual” question. The question is residual because there is no sketch of an answer either in Hermansen’s lecture nor in any of the course readings.

**3. Summary of relevant topics** – In the following I provide a (probably much too detailed) summary of Hermansen’s main points:

The point of departure is Esping-Andersen’s three models (Nordic/social-democratic, continental/conservative and Anglo-American/liberal). Within this framework, the question about economic and social integration of immigrants is raised. Economic integration is (movement towards) equality in labor-market outcomes between immigrant-origin and native populations in absolute terms (slide 18).

The concept of immigrant-origin populations covers *immigrants and their native-born descendants*.

As for the challenge of immigrant integration, a main point is that if the immigrant-origin population displays higher levels of non-employment (than natives), several mechanisms may undermine the universal character of the Nordic welfare states. (1)

Increasing ethnic stratification → xenophobia, undermining support for redistribution. (2) Welfare chauvinism may develop, supporting the welfare state, but eager to restrict immigrant's access to generous benefits. Such chauvinism is measured to be quite high in Norway in survey experiments (Cappelen & Midtbø, 2016 – *required reading*). In sum, there is a risk that the Nordic welfare states may be fiscally vulnerable to high (immigrant) non-employment, since increasing welfare take-up among immigrant-origin populations may undermine public support for the welfare state among the native majority population.

The two trends specifically asked about for this essay is a *challenge* and an *advantage*.

**First trend – the challenge** – Given that a large share of the immigrants have low skills, how can they be economically integrated? This is important since the basic compromise in the Nordic welfare states concerns a virtuous circle in which welfare state services are financed by continuous economic upgrading.

Within the generous Nordic welfare states, immigrants with very low skills, may prefer social welfare uptake rather than being part of the labour supply. When we look at native-born children of immigrants, the “rate of intergenerational human-capital improvement across generations” (slide 35) will be a major factor. Empirical indicators show that the native/immigrant employment gap is relatively high in the Nordic countries. (Note that the graph based on recent data in slide 36 is somewhat hard to interpret, but also earlier studies are quoted to support this empirical statement: Kogan 2006 (comparing to liberal welfare states); Kesler 2006; Koopmans 2010.)

Three possible explanations are summarized: (1) Compressed wages and less demand for low-skill workers (2) Labor supply and generous welfare benefits (3) Labor market regulation and discrimination.

*Specification of 1 – Compressed wages and less demand for low-skill workers* – The Nordic countries have a compressed wage structure with low economic inequality and relatively high entry-level wages. Thus (i) Low-skilled workers relatively costly compared to other countries, (ii) Employers will be prone to invest more in productive workers and rely less on low-skilled workers (by, e.g., investing in new and cost-effective technologies) (iii) This may be particularly harmful to low-skilled immigrant workers: (a) they have limited formal education and lack linguistic fluency, and (b) there are fewer jobs available to them compared to an economy with a larger sector for low-skilled jobs

*Specification of 2 – Labor supply and generous welfare benefits* – Low-skilled immigrants with typically low-wage jobs may have less to gain economically from employment than natives. (i) This is due to high alternative income from welfare in a system with high minimum benefits to persons outside the labour market; and (ii) if they live in households with (many) children, they are eligible to supplementary benefits (cf cash for care) that may further reduce incentives to work.

This may undermine labour supply among low-skilled immigrants. Is non-employment a rational response to distorted work incentives? Evidence is provided

from Bratsberg/Raaum/Røed 2010 (not a required reading): Immigrant employment was nearly 100 % in 1975-80, but declined to 50% to 2000, compared to 87% for a native comparison group. This study concludes that the native/immigrant employment gap reflects family structure and welfare incentives (explains more than 30%), and the structural fact that immigrants are clustering in jobs within declining industries (explains 20-33%).

*Specification of 3 – Labor market regulation and discrimination* – (i) Nordic welfare states lack flexibility in some respects, and this may influence employers' decision-making when hiring (immigrant) workers: Given high employment protection and high entry-level wages, employers face higher firing costs. De-regulated economies are in these respects more competitive, and may thus display less discrimination. (ii) It does not seem to be more ethnic discrimination in egalitarian welfare states. Empirical indicators: there is no pattern of higher ethnic penalties among second-generation immigrants (Heath & Cheung 2007; Hermansen 2013; Fleischmann & Dronkers 2010), and no clear pattern of more entry-level hiring discrimination in audit field experiments (Heath et al. 2013)

Slides 41-47 summarize the Bratsberg & Røed, 2016 (required reading), which is about the situation for the Nordic welfare model in two periods of opening up to the European labour market (since 1972, Danish/British extension of EU membership and early flows of migrants into the Nordic area; and since 2004, with the eastwards enlargement of the EU (including several low-income countries, i.e. a pool of potential labour migrants) in a situation with the EEA agreement – and the Nordic countries made few efforts to reduce in inflow of EEA-migrants, e.g. from Poland).

The challenges here is: (1) Large cross-country differences in wages and social insurance standards may trigger migration flows that put pressure on welfare state institutions, (2) Social insurance benefits in the Nordic countries by far exceed typical wages in most origin countries and may distort migration flows and weaken labor migrants' incentives to remain in productive employment

Røed & Bratsberg (2016) compare the labor-market careers of (a) labor migrants arriving from low-income origin countries (i.e., Pakistan and Turkey) in the 1970s, and (b) labor migrants arriving from new Eastern European EU-member countries (i.e., Poland and the Baltic region) in the 2000s. Slides 43-46 contain these indicators:

Immigrants from 1970s  (Time span, 1970s-2010s)	Employment rates	Pakistan/Turkey  EEA/Nordic/Natives	As high as the others to 1980, then down to half, women much lower than the others Moves in parallel, stays relatively high
	Disability rates	Pakistan/Turkey  EEA/Nordic/Natives	Much higher than the others, roughly parallel for men & women Lower and quite parallel for these, but rising there too. Natives higher than Nordics/EEA
Immigrants from 2000s  (Timespan 2006-2013)	Employment rates	EU8, EEA, Nordic Natives	Not much difference, Lower for women
	Unemployment rates	EU8, EEA, Nordic Natives	Higher for EU8s than for the others, less so for women,

EU8: Czech, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia

The conclusion is that the recent enlargement of the European labor market represent a considerable challenge for Nordic welfare state economies. (a) welfare state institutions in rich countries need to adapt, and (b) ‘business as usual’ options are not viable. Either there will be a ‘race to the bottom’, with scaling down of income and family support programs, or welfare-state institutions must be made more migration robust: (a) Raising minimum standards in the labour market, (b) Make insurance programs more participation oriented, (c) Substitute place-bound services like free childcare for exportable cash transfers in family support programs.

The overall conclusion is that Nordic welfare states may undermine labor supply and employment among low-skilled immigrants

**Second trend – the advantage** – The possible *advantage* concerns the integration of immigrants in education and in the labour market, as well as the fact that in egalitarian welfare states, childhood poverty is less consequential.

A table able shows the growth of native-born immigrant children (absolute numbers), from close to zero in 1970, to ca 135 000 by 2015. 20% of native-born children below 18 had two immigrant parents. They are a growing share of the immigrant-origin population. We know from sociological research that parental socioeconomic resources (education, income, occupation) are keys to educational achievement. Such variables are also a proxy for other unobserved traits (e.g., ability and ambitions). When it comes to the labour market, own educational qualifications are crucial for success. In the following, I have generated (from Hermansen’s slides) a list of various factors pertaining to advantages and disadvantages.

There are some relative ethnic disadvantages (in egalitarian welfare states) for children of immigrants that enter the labour market:

- Language skills and knowledge about host society (ego or parents)
- Ethnic discrimination against ‘visible minorities’
- Lack of access to (native) social networks
- Traditional gender norms

However, the main point in the lecture is to discuss a number of advantages that probably will dominate. Some of these advantages are related to immigrants’ background (and not to the nature of the welfare state into which they have migrated, or lived up). This is positive selection of immigrants, in particular a high pre-migration status in their origin country. They may also to some extent draw on ‘ethnic social capital’. These advantages are briefly noted, but not further discussed.

Turning now to the advantages that represent features of the egalitarian welfare states, they are the following. Four reasons (factors 1-4 in the following) are given as to why the ‘birth lottery’ (the parents to whom a child is born) is less important in egalitarian welfare states than in less equal societies:

1. *Egalitarian welfare states are marked by less economic inequality.* Inequalities tend to reproduce themselves. The Great Gatsby curve (Alan Krueger, Miles Corak) is a stylized fact: high income inequality → less intergenerational income mobility (less economic mobility across generations). (Slide 54: Regression line in a diagram with less mobility as one moves up the vertical line, and more inequality moves right on the horizontal line: all Nordics are at the lower left end while at the upper right end, we find Italy, United Kingdom and United States.) An element in this equality is that the educational systems of egalitarian welfare states are publicly financed (no tuition). This removes economic barriers for children of low-skilled immigrants (Jackson, Jonsson & Rudolphi 2012).

2. *Egalitarian welfare states are marked by low child poverty.* Norway (the Nordic countries) have reduced “the importance of family background in securing opportunities typically associated with successful human capital development” (paper by Duncan, Telle, Ziol-Guest, Kalil). (However, here it is noted that immigrant child poverty is high in Norway. General child poverty is low, but high among immigrants. Slide 58: Natives: above 20 000 poor children 2007-2013, while poor immigrant origin children have risen from ca 15 000 to ca 27 000, rising particularly in 2012-13. For this reason, this advantage may not be very large.)

3. *Egalitarian welfare states spur educational opportunities.* They have comprehensive school systems without formal tracking. Educational choices are delayed. Tracking (also covered in the education lecture) has detrimental effects on immigrant students’ achievement. “In early and rigidly selecting educational systems, migrant children are more often placed in the lower (vocational) tracks in secondary education, receive lower test scores, and are less likely to complete upper secondary and tertiary education. These inequalities are significant.” (Van de Werfhorst, Elsas & Heath 2014). *Empirically:* If we study upper-secondary school completion (during first 5 years), we do find ethnic gaps, but they are disappearing: 70% for natives, for children of immigrants: hovering around 60 in the 1990s, since 1998 it moved to ca 65% (5%-points gap) and in 2009 and 2010, there was convergence at ca 72%. Note also that Norwegian born children of immigrants have higher share (ca 30%) in higher education than the ethnic majority (roughly 20% 2009-14).

4. *Egalitarian welfare states have choice-driven, mass educational systems that spur intergenerational mobility.* High aspirations are rewarded. Children of immigrants often exhibit high educational aspirations and may, in fact, often be positively selected on mobility-enhancing traits (Jackson, Jonsson & Rudolphi 2012).

Some of the factors are likely to benefit all children of low-status family background, but probably children of immigrants in particular.

Given these advantages (that may outweigh the disadvantages), a crucial question – concerning the *school of work*-passage – is whether children of immigrants can transform their educational success into stable employment/labour market careers?

Research in Norway finds lower employment rates for immigrant children even after controlling for own educational qualifications and parental education. (Experiments with faked CVs show ~25% lower chance of being invited for job interview. Other factors that may explain this is gender norms and social networks.) But there is no apparent ethnic disadvantage in access to advantaged occupational positions. Ethnic labor-market penalties smaller in Norway than in continental European countries.

The Hermansen 2016 (required) reading explores this topic. The two research questions are: 1. Do native-immigrant earnings gaps narrow between the immigrant generation and the second generation? 2. What is the absolute improvement in earnings rank from parents to children by national-origin group? (His data are: Child birth cohorts 1973-1982 (N = 485,882); Child earnings measured at 30-34 yrs; Parental earnings (mother and father) at child yrs 15-20; Earnings in both generations rank ordered (0-100) within each birth cohort.)

Slide 63 is a bit complicated to read (I am not really sure if I read it correctly):

- (a) location in parental earnings deciles of immigrant parents as compared to native parents (natives = 10 (fixed?), while immigrant parents are nearly 50% in lowest decile, 15% in next lowest decline).
- (b) Location in child earnings deciles of children of immigrants as compared to children of natives (natives = 10 (fixed?), while children of immigrants are about 20% in lowest decile, and ca 13% in the next lowest, and just a slightly lower share of the remaining deciles.

Key finding: “Generational progress is reflected in strongly reduced gaps in earnings among the immigrant offspring compared to the gaps found in the parental generation.”

Slide 64 is figure that relates child earnings rank (vertical) and parent earning rank (horizontal) for immigrants from various national origins. This indicates intergenerational catch-up, which turns out to be “highest within the national-origin groups characterised by the lowest parental statuses” (64): the main cases are immigrants from Morocco, Turkey, Pakistan, Vietnam, and generally non-OECD.



This yields the main conclusion. Nordic welfare states are likely to facilitate upward social mobility among all disadvantaged children, and children of immigrants in particular.

**2C. After establishing political democracy (universal voting rights) in the early 20th century, the Nordic countries developed social democracy and even elements of economic democracy. But they remained “mixed economies”, with a capitalist economy based on private property where private employers made investment decisions, competing to apply the most efficient technologies.**

**Discuss the relationship between democracy and capitalism (with its focus on economic efficiency) in at least one Nordic country. Analyse the institutions and organizations that influence this relation in at least one of these areas: the labour market, the welfare state, the educational system.**

**In your conclusion, discuss whether the relationship between democracy and efficiency has always been a “virtuous” (“good”) circle.**

**1. Readings** – I first formulated the assignment only with reference to Inger Marie Hagen’s lecture on “Equality and power in working life”. However, after some thinking, I decided to make it broader, so that the students have a choice: they need not write about the labour market, they can discuss the topic even with reference to the welfare state and/or to the educational system (although, I think, this will be more difficult, since the relevant readings focus less on the democracy link).

Besides the readings under Hagen’s lecture, the students can then also chose to rely on Mjøset’s last lecture. That lecture contains a survey of Tilly’s definitions of democracy, citizenship and strong/medium/weak state trajectories (Mjøset 2018 required reading.) This can be combined with some elements mentioned in Mjøset 2016 (another required reading).

I originally only asked the students to discuss the relationship between democracy and efficiency, but since the term “efficiency” is only used explicitly in a couple of Hagen’s slides, I decided to specify it. Thus, students are asked to discuss the “relationship between democracy and capitalism (with its focus on economic efficiency)”, so that we are sure they get the connection between capitalism and efficiency. I also direct their attention to the process of democratization by mentioning the sequence well known from Korpi, Esping-Andersen and others: political democracy allows the farmer and worker mass parties to vote for extension of welfare state measures in parliament, and in the 1970s, there is even mobilisation in favour of economic democracy.

**2. Assessment** – A good essay must include a clarification of the concept of democracy (but we should not be too strict, since Hagen’s definition is clearly less elaborated than Tilly’s). As indicated in the assignment, students should relate “efficiency” to the fundamental feature of the mixed economy: the reliance of privately owned firms.

The assignment asks for an analysis of institutions and organisations: Most students will probably focus on the labour market. They should then include a discussion of how the capital/labour tension led to the formation of the institution of hovedavtaler/collective bargaining institutions that mediates between two strong collective actors (labour union confederation (LO) and employers associations). (In

Mjøset 2016, these are dubbed “partnership institutions”.) The essay might draw more detailed information on the Norwegian system from Hagen’s lecture and the literature covered there.

In addition, the way the state also has facilitated this two-party relationship (through expert knowledge and other coordinative efforts) might be discussed (it is briefly covered in Mjøset 2016). Furthermore, the state – thanks to the labour movement’s influence in the system of parliamentary democracy – finances (through a tax system with certain redistributive effects) institutions of social protection that reduces the risks for citizens that are outside of the labour market. (For welfare state and education, see below.)

The students are also asked to briefly discuss one specific question in their conclusion: “In your conclusion, discuss whether the relationship between democracy and efficiency has always been a “virtuous” (“good”) circle.” The first part of the essay will contain the main features of this virtuous circle, but the students are here invited to discuss whether this institutional complex also has its darker sides. There are many ways to provide a clever discussion of this topic.

One option would be to refer to Mjøset 2018, where new social movements are discussed, as both the environmental, anti-immigration and anti-globalization also refers to features of Norwegian work-life: good labour relations, but producing oil... and so on.

Another option would be to refer to the historical discussion in Mjøset 2016, which emphasizes that the 1920s and early 1930s (most of the interwar period) was a very turbulent period in Nordic history: before the Nordic people had “learned” to live with full democracy, there was a lot of strikes and lock-outs. Finland had a civil war in 1918 and was on the verge of fascism around 1930. A sophisticated essay would relate this to Tilly’s medium trajectory of state formation. It will also be possible to find cases even in the post-war period, such as the wave of illegal strikes across the Nordic area in the late 1960s – particularly strong in Sweden. The Swedish labour movement went the furthest in terms of radical proposals for economic democracy (wage earner funds would influence employer investment prerogatives, whereas the rest of the Nordic countries only introduced work-life-condition determination reforms), but got the worst backlash in terms of modification of social protection. But this latter topic is not well covered in the readings.

Yet another option would be to refer to the last remarks in Hagen’s lecture, again mentioning immigration (and if the students are following the Norwegian public sphere, they might know that parts of the labour union movement are criticizing Norway’s EEA-association with reference to increasing problems of social dumping, for instance in the transport sector.)

Finally, it would be possible to connect to the discussion of new social movements in Mjøset 2018. The main point here is that unlike the old movements, the new ones (environmental, anti-immigrant and anti-immigration) have no clear connection to extension of democracy at the national level, their focus is on three different consequences of the small economy/country’s integration in the world economy, i.e. global warming (environment), European migration flows (anti-immigration) and

opening to short term capital flows (anti-globalisation). That analysis can also be phrased in terms of a claim that the democracy/capitalism-combination may turn out more complicated in the future than in the past.

This question is only a small appendix, so we should not be too strict. I am sure there are other good answers to it too.

**3. Summary of relevant topics** – In the following, I first (A) comment on the Mjøset readings, then (B) on the Hagen readings/powerpoint. Both these focus on the labour market. Finally (C), I add a few brief notes on the welfare state and the educational system.

*A. Democracy/capitalism* – The relationship between democracy and integration into a world capitalist system is emphasized in the introduction (all quotes from Mjøset 2018 unless otherwise noted) on the small open economies:

The five Nordic countries have been integrated into the Western core of the world economy under shifting great power hegemonies. At the domestic level, the mobilisation of religious, farmers', workers' and women's movements have interacted with and influenced elite strategies, creating robust democracies and generous welfare states.

...and in the research questions:

What are the chances that these new social movements will be as successful as the older ones in sustaining and revising institutional complementarities, so that the Nordic models continue both to develop democracy and to remain successful in a world economy marked by the relative decline of the West?

The key idea of the analysis in Mjøset 2016 is that the older social movements were crucial to the development of democracy in the Nordic area:

We thus define old social movements in Norden as those that mobilized by establishing, securing and extending democracy, thereby reforming routine politics at the national level. Old social movements were *offensive* movements. Their claims could be recognized and solutions could be worked out at the *national* level, regardless of international conditions. They all related to democracy in one way or another. The first ones (revivalists, farmers) created important preconditions for democracy\*, the later ones (workers, women) secured universal formal democratic rights, and later consolidated a set of social citizens rights. (s.10 ms) [\*freedom of speech, association and assembly.]

These old movements thus differ from the new ones (present-day environmental, anti-globalisation and anti-immigration movements) in the following way:

Table 3. *Main Differences Between Old and New Movements*

	Movements	
	Old/offensive	New/defensive
Role of national level demo-	Gaining, securing or	Precondition

cracy in their mobilization	extending	
Issue area level	National	Global, international, European
Perceptions of contested issues	Direct experience at the micro, local and national level	Indirect experience via expert judgment

This impact of the older social movements leads us to place the Nordic countries in what Tilly terms the “medium state trajectory”:

In the *medium state trajectory*, each increment or decrement of state capacity is “matched by similar change in the degree of democracy” (Tilly, 2007, 163). The state has already begun to build some capacity when it enters democratic territory. It has some capacity to suppress autonomous power centres. As state capacity rises simultaneously with democratization, the stakes increase, and control of the state becomes increasingly valuable for strong groups. Compared to strong state trajectories, the medium path is “more at risk to intense domestic confrontation short of revolution” (Tilly, 2007, 163). De-democratization may follow from a reversal in one or more of the basic processes relating to trust networks, categorical inequalities, and/or autonomous power centres (Tilly, 2007, 164). But if such reversals are avoided, the political regime will be marked by a combination of high state capacity and robust democracy.

In Nordic history, the interwar period represents such a period of domestic confrontation, but it led neither to revolution (as in Russia or China), nor to fascism (as in Germany) or authoritarian regimes (as in the small Baltic republics). Democracy survived, and at the end of the 1930s, there were “hovedavtaler” in Norway and Sweden (in Denmark already 1899), in which the labour movement agreed to “labour peace” and support for capitalist organization of production (thus supporting employers efforts to raise productivity/efficiency) in “exchange” for acceptance of unionization and establishment of social protection (welfare state) through their powerful position in parliament. This is a key case of forming institutions that support both democracy and efficiency. It is analysed in Mjøset 2016 but terms such as productivity/efficiency are not used. The discussion is rather in terms of interventionist capitalism, and a “balance of power” in the economic sphere. The concern for efficiency is covered in a statement such as the following:

In line with the late 1930s ‘labour-market constitutions’, varieties of coordinated wage bargaining became routine. Bargaining would be more or less centralized, but always also allowing for local-level negotiations in which the actual market conditions of the firms were taken into account. Owners of capital retained their prerogatives in terms of investment decisions and work management, but even in these fields, sets of regulations were imposed. (Mjøset 2016, p 27)

*B. Democracy and efficiency in the labour market* – Focusing in more detail on the labour market, the student may start from Hagen’s lecture on Norwegian working life:

Slide 13 notes that Nordic citizens want “influence (democracy) to have a say in the work we do”, *and* they also want “efficient productive industries” (small open economy) as well as “private property rights”.

Democratic values are specified as equality and freedom (including property rights), and two types of democratic rights are defined:

*Indirect democracy (representative)*: Equality – participation – procedures  
(In Norden, worker representatives in firms are voted in from trade unions – in contrast to Germany, where all employees vote on representatives to works councils.)

*Direct democracy (individual)*: Freedom – development – adaptation

In the Nordic countries, institutions and organizations have been formed to combine such concerns at the firm and individual level with a concern for efficiency and value added. Norwegian workers and employers collaborate 11 months a year, and “fight” in negotiations during the 12<sup>th</sup> month. “While French unions hit the streets – I call the Prime minister” (quoting a head of LO).

Hagen constructs a fourfold table distinguishing individual and collective forms of participation, and their justification by norms of efficiency and democracy:

Forms of participation	Involvement justified by norms on	
	Efficiency	Democracy
Individual	Increased productivity	Autonomy and freedom
Collective (representative)	Conflict resolution and work community	Equality

Another scheme focuses on democracy/efficiency at the levels of society and the firm:

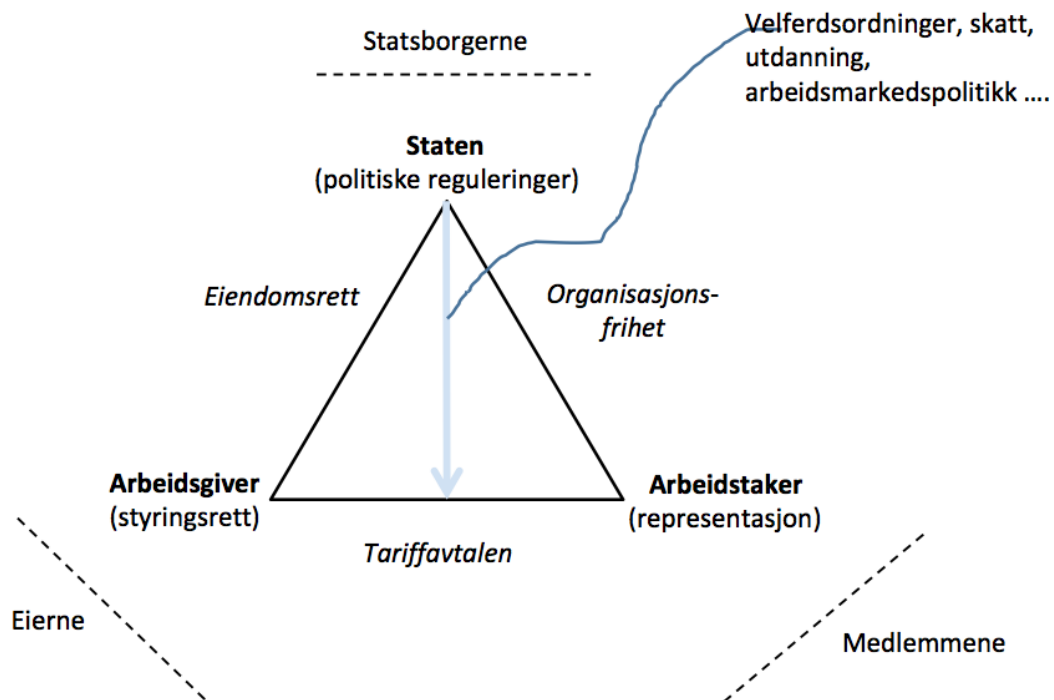
Level	Democracy	Efficiency
Macro/society	Contributes to a democratic division of power – a desirable labour and capital compromise	Contribute to increased efficiency by providing industrial appeasement (compromise for ‘working peace’)
Micro/company	Contributes to (i) a local compromise (ii) framework and opportunities for employee development and display	Contribute to increased productivity by (i) company industrial appeasement and (ii) by including employee skill and attitudes in the decision making process

Hagen claims that the Norwegian/Nordic results were due to a mix of luck, historical events, clever political craftwork, and social trust. A distinction is made between tripartite and two-part institutions.

Tripartite institutions	Two-part institutions
Tripartite collaboration	2-part issue

2- part issues at different level Acting in the best national and company interests On-going consultations and initiatives	Rules and regulations (formal and informal) Procedures for conflict/industrial action Sector and local level
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The following triangle is also presented:



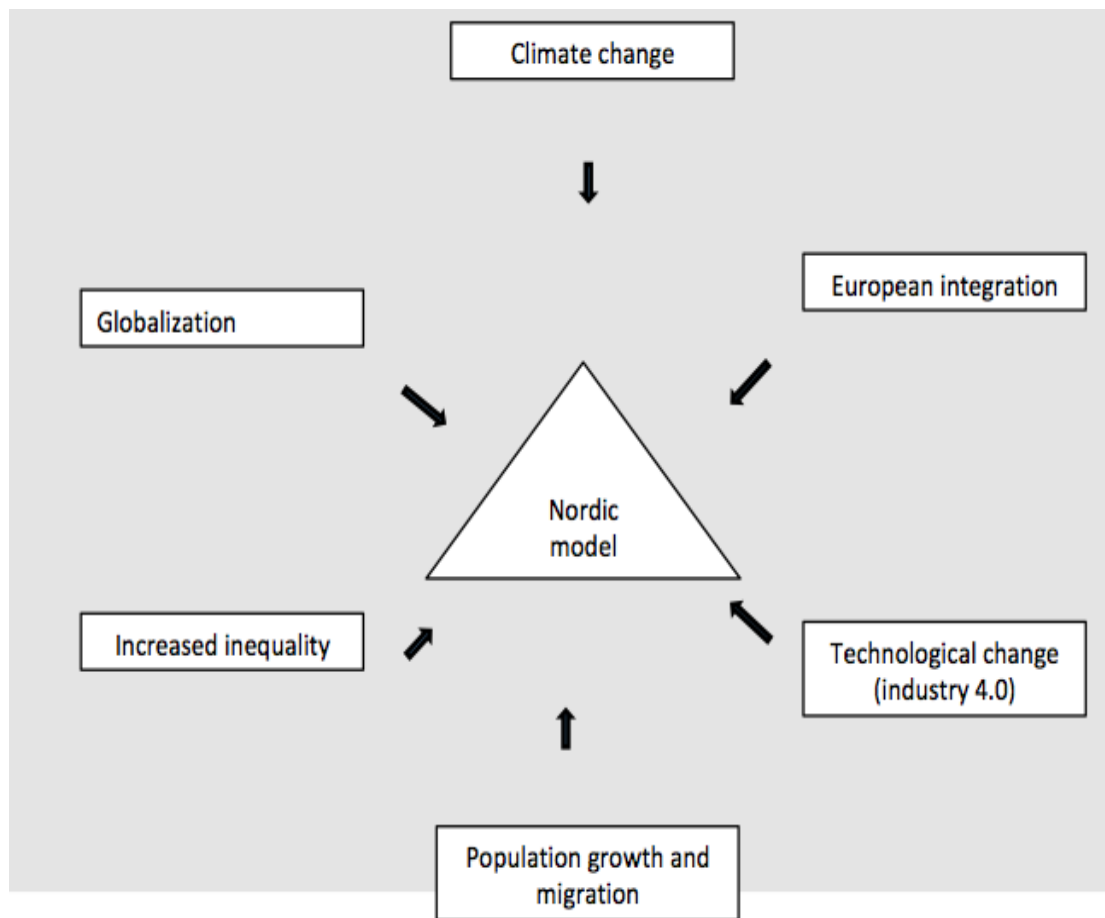
The Norwegian labour market model is a particular mix of different institutions:

National level	- Tripartism (state, employer and employee associations) - large national compromises (Pension, Inclusive Work life program). A number of different institutions. Green papers.
Sector	- Sector level employers/employees' associations - development programs, basic agreements, wage negotiations
Company	- Management and trade union representatives (shop stewards) - collaboration, changes of all sorts, 'small' conflicts, work place development, local wage negotiations (health and safety)
Individual	- Employee and manager - ongoing (and protected by both "their" company union rep and by individual labour law)

There is a number of further slides that describe the Norwegian work life organization. Last two slides mention some challenges:

Immigrants are a total of 15 per cent of workforce: From EU Eastern Europe: 111 000 living in Norway, 35000 working, but not living in Norway. From outside EU Eastern Europe: 33 000/1500. From the Nordic countries: 47 000/27 000. Western Europe: 42 000/6800 non-living

Hagen also presents this scheme often used by Fafo-researchers:



*C. Democracy capitalism and the welfare state/educational system* – So far I have mainly surveyed elements relevant for the analysis of labour markets. However, the students are given the option of also analysing the welfare state or the educational system in the same democracy/efficiency perspective. I expect, however, that fewer students will chose these options, since there are no direct discussions of that in the course literature, so a good essay here requires an ability to improvise around what they have learned about the welfare state and the educational system from the course lectures and readings.

As for the welfare state, as indicated by the link between political and social democracy, it is based on full voting rights and strong labour/farmer representation in parliament. Several social analysts and politicians have claimed that there is a trade-off between the welfare state and efficiency (which is crucial to keeping growth at a satisfactory level). However, others argue that the welfare state stabilizes incomes across a larger share of the population than earlier, thus securing “effective demand” that stabilizes the economy. Furthermore, a strong welfare state with a large public service sector may stimulate innovation and open up for new business ventures in products used in the welfare sector. There are many ways to think about this, and also



the historical sequence from political to social democracy contains many topics that may be discussed.

As for education, the lecture on Nordic educational systems focuses on how the Nordic states built comprehensive school systems, universally available free of charge. In the education-ppt I quote Telhaug et al (not a course reading): “Thus, social democracy combined the aims of integration, economic growth and democracy with a therapeutic perspective that implied that it was more important to commend students than to offend them.” Thus there is a democracy/efficiency combination here too: pupils will be educated to become good democratic citizens, but the school system also provides them with skills that prepare them to be efficient workers. Already at school, they were treated (this was the trend in the radical phase in the 1970s) as equals, and the teachers would cater to their needs. A main point in the lecture is that Finland deviates from the other Nordic countries by not pursuing many reforms after the 1970s. Given some serious fiscal problems for the state (especially in the 1990s), they could not afford reforms. Many experts were highly sceptical of the Finnish system (I also noted this in my comments on the concept “competence institutions”, above), complaining about a serious mismatch between its standards and the needs of a flexible efficient economic sphere. However, in 1990, when the Pisa-results were first published, Finland scored highest (with Japan and other Asian peak performers), while none of the other Nordic countries differed from the OECD average. Thus, one might argue that Finland has more democracy in its educational system: curriculum is decentralized to the separate schools, there are hardly any national tests, and teachers are trusted to cater for the pupil’s individual needs. It will be interesting to see if any of the students makes this connection, but if they do it, there is any chance of successfully discussing the topic of democracy/efficiency.