

## “Living Longer, Working Longer”

An Unlikely Retirement Policy Success?

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*Published in:*  
Successful Public Policy in the Nordic Countries

*DOI:*  
[10.1093/oso/9780192856296.003.0005](https://doi.org/10.1093/oso/9780192856296.003.0005)  
[10.1093/oso/9780192856296.001.0001](https://doi.org/10.1093/oso/9780192856296.001.0001)

*Publication date:*  
2022

*Document Version*  
Publisher's PDF, also known as Version of record

*Citation for published version (APA):*  
Von Nordheim, F., & Kvist, J. (2022). “Living Longer, Working Longer”: An Unlikely Retirement Policy Success? In C. de la Porte, G. B. Eydal, J. Kauko, D. Nohrstedt, P. . Hart, & B. S. Tranøy (Eds.), *Successful Public Policy in the Nordic Countries: Cases, Lessons, Challenges* (1 ed., pp. 88-107). Oxford University Press.  
<https://doi.org/10.1093/oso/9780192856296.003.0005>, <https://doi.org/10.1093/oso/9780192856296.001.0001>

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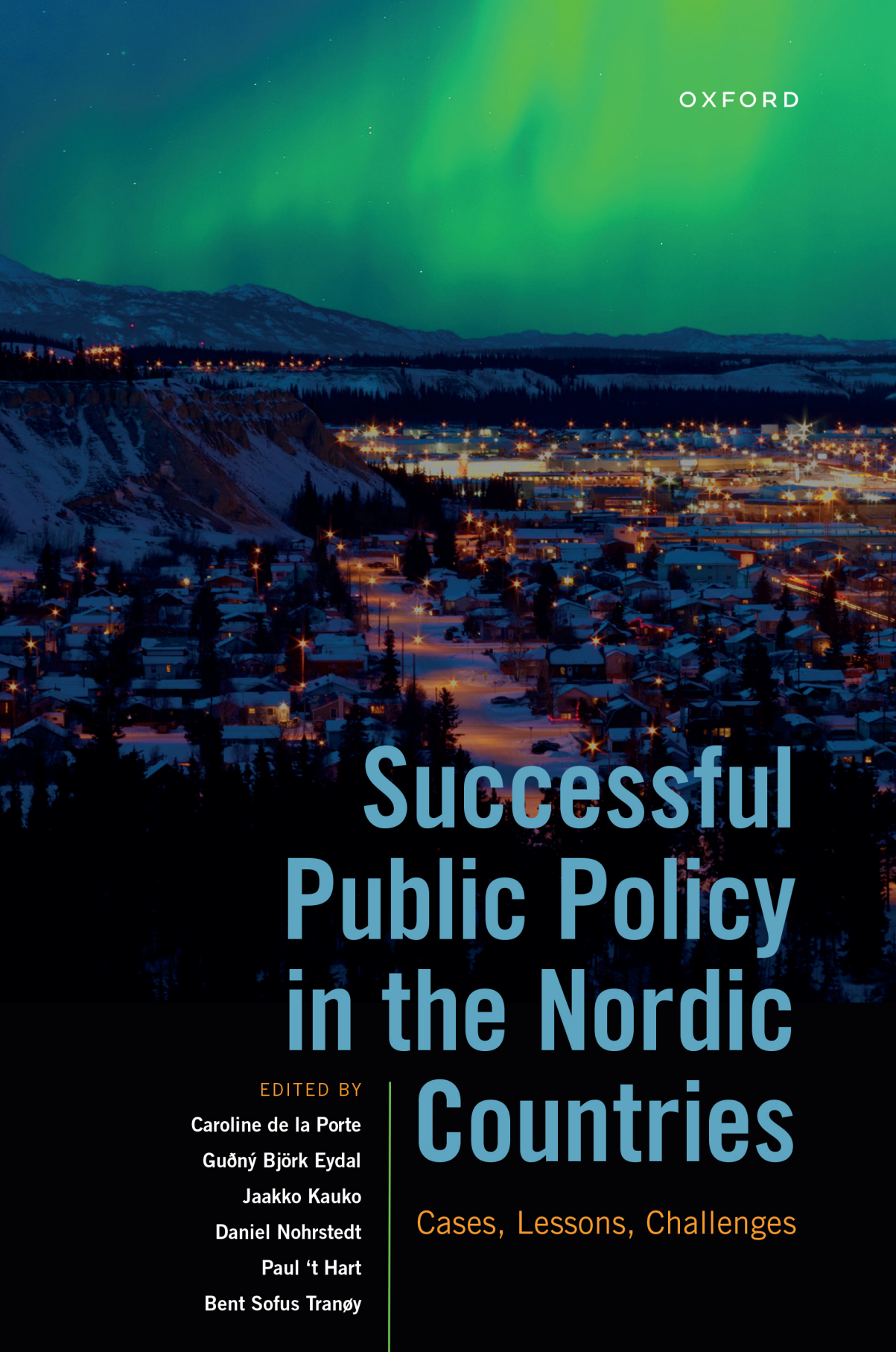
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# Successful Public Policy in the Nordic Countries

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Cases, Lessons, Challenges

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*Cases, Lessons, Challenges*

*Edited by*

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OXFORD  
UNIVERSITY PRESS

**OXFORD**  
UNIVERSITY PRESS

Great Clarendon Street, Oxford, OX2 6DP,  
United Kingdom

Oxford University Press is a department of the University of Oxford.  
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Published in the United States of America by Oxford University Press  
198 Madison Avenue, New York, NY 10016, United States of America

British Library Cataloguing in Publication Data  
Data available

Library of Congress Control Number: 2022936189

ISBN 978–0–19–285629–6

DOI: 10.1093/oso/9780192856296.001.0001

Printed and bound by  
CPI Group (UK) Ltd, Croydon, CR0 4YY

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# Acknowledgements

This book would not have been written if it hadn't been for Ketil Raknes of Kristiania University College in Oslo. A close colleague of Bent Sofus Tranøy and co-author of a chapter in 2019's volume *Great Policy Successes* that started what has now in effect become a series of case study volumes on policy successes around the word. It was Ketil who, together with our now two-time chapter author, Camilla Bakken Øvald, organized a breakfast seminar about the book in Oslo, and made sure it was attended by the great and the good of Norwegian politics. And it was Ketil who, during the course of the day—which involved further presentations of the book in academic circles—suggested that there ought to be a similar volume dedicated entirely to the study of policy successes in the Nordic countries. Well, Ketil, here it is. We hope the result hits the mark of the vision you had for it three years ago. Your energetic advocacy of the project led to the formation of this editorial team and the involvement of dozens of colleagues from across the five Nordic countries, to whom we are grateful for their exemplary cooperation and willingness to be guided by the analytical framework of success assessment.

It has been quite a journey right across the pandemic. A project that required a great deal of collegial interaction, yet unfolded entirely online, with due credits going to Zoom, Dropbox and the various other software applications that we all have got to know so well and made this possible. Many of us did not meet in person before May 2022, when the policy successes framework, as well as examples of success in the Nordics were shared with policymakers in the Hague. While this meeting marked the end of one journey, it is also marking the beginning of a continued dialogue and spin-offs from cases in the book, for instance in the area of social policy. Furthermore, analysing policies in terms of successes has had a great bearing on all us, intellectually. We look forward to continuing to work with the framework, and to bringing this into the classroom.

Dominic Byatt, our editor at Oxford University Press, who also published the 2019 global volume, gave us a wide berth to undertake this regional follow-up, alongside a similar project on Canadian policy successes that was published earlier this year. Like that volume, ours too has received generous support from the European Science Foundation under the European Union's Horizon 2020 research and innovation programme (grant agreement n° 694266). We are also grateful for the support from the Nordforsk-funded Reimagining Norden in an Evolving World (ReNEW) project number 86036. We are grateful to Laura Scheele and to Anders Weis Christiansen, Copenhagen Business School, for helping out with the online

workshops in the spring of 2021, where full drafts of all of the book chapters were presented. While we missed the IRL social interactions during these meetings, the workshops were effective, and the break-out rooms created space for some informal socialization. We are also indebted to Anders Weis Christiansen and Benjamin Coleman, from Copenhagen Business School, for their invaluable assistance in beating the manuscript into shape before submission to the publisher.

The editors, May 2022



# 1

## Introduction

### Studying Successful Public Policy in the Nordic Countries

*Caroline de la Porte, Guðný Björk Eydal, Jaakko Kauko, Daniel Nohrstedt,  
Paul 't Hart and Bent Sofus Tranøy*

#### **Policy Successes in a Celebrated Region**

There is a generalized narrative of ‘high performance’ regarding growth, combined with ‘good government’ around public policy and public administration associated with Nordic countries. There is, furthermore, international scholarly acknowledgement of the advantages of the ‘Nordic’ or ‘Scandinavian’ Model of welfare states and industrial relations in terms of fostering competitiveness along with equality (see for instance, Brezis et al., 2018). The Nordic region is the region in the world with the highest level of generalized trust and trust in government (Holmberg and Rothstein 2020). It has, furthermore, been iconized by international media and think-tanks for high-profile policy successes such as Nordic kindergartens and schools, family policies and climate change initiatives.

The celebration of governance and public policy in the Nordic region emanates in no small measure from international institutions, such as the OECD, highlighting policies such as social investment, enabling parents to combine work and family life (Kvist 2015), and the European Union, underscoring the value of the flexicurity model for labour-market policy (Viebrock and Clasen 2009). Moreover, much of the praise is rooted in high-level performance statistics and bird’s eye perspectives on Nordic political institutions, policy styles and administrative traditions (Castles and Obinger 2008; Painter and Peters 2010). One influential scholar has used the phrase ‘getting to Denmark’ to signal a widely shared view among development scholars of Denmark as a paragon of successful statehood and liberal democracy (Fukuyama 2011). Nordic countries have also been marked out as the world’s happiest nations, by CNN, in terms of governance and economic growth, as ‘the next supermodel’ (by *The Economist*, in February 2013), and in terms of welfare states that are both generous and efficient (again by *The Economist*, in a June 2021 special report). Biden’s current reform plans for the US—to give a boost to those most in need, to support families, and to support job creation—are inspired by the gist of the Nordic welfare capitalisms: high labour-market participation, supported by family policies, as well as support for those

most in need. International scholars, especially from the US, have been fascinated by the capability of the Nordic countries to be fully integrated in the global political economy while maintaining high levels of social cohesion, growth and well-being (Cox 2004; Martin 2013). Most recently, and with the exception of Sweden, Nordic countries lived up to their reputations by performing well in response to both the public health and socio-economic threats posed by the Covid-19 pandemic (Gordon et al. 2021; Mishra et al. 2021).

Scholars from within the region have been more guarded and have had a keener eye for nation-specific historical trajectories and institutional arrangements (Simola et al. 2017) and cross-country differences and variations in performance over time in the welfare area (Kautto et al. 1990; Stephens 1996). There has been attention to discerning Nordic similarities as well as differences in policy domains such as housing and urban development (Nordic Council of Ministers 2005, Tranøy et al. 2019), gender equalizing child-centred family policy (Eydal et al. 2018), education (Dovemark et al. 2018), and environmental policy. In the Nordics, many decisions are taken as closely as possible to citizens, following the subsidiarity principle. Local authorities not only implement policy decided at national level, but have decision-making authority in a range of areas, and also collect taxes locally. Thus, even though Nordic countries are relatively small, their governance structures are highly decentralized, especially in the welfare-state area.

Moreover, while the remarkable consistency and resilience of their equality-enhancing universalistic social policies, activating labour-market policies across three decades of economic turbulence have been widely noted and lauded (Barth et al. 2014; Dølvik et al. 2015; Kvist and Greve 2011), the Nordic polities were unable to dodge the tidal waves of political volatility, populism, polarization and radicalization that have rolled across Europe in the past two decades (Fladmoe 2012; Jungar and Jupskås 2014).

Likewise, despite their consistently high scores on good government, happiness, better life and a range of other global indexes, the Nordic countries have not been spared their share of wicked problems such as environmental degradation, disengaged youths, violent gangs, people smuggling, hate crimes, home-grown terrorist attacks and transboundary conundrums such as the global financial crisis of 2008–2009 (which hit Iceland particularly hard). In these policy domains and in response to these common challenges, the evidence of a ‘Nordic model’ in the way the various Nordic governments operate is more mixed (e.g. Dølvik et al. 2015; Kotajoki 2018; Laegreid and Rykkja 2018; Ólafsson et al. 2019; Stie and Trondal 2020).

The contours of the Nordic model have remained intact, even if there are changes at the margin (Arnholtz and Andersen 2018; Dølvik et al. 2018; Kvist and Greve 2011;). Since the 1990s the traditional Scandinavian corporatist model, characterized by consensual democratic governance and a strong and active presence of interest groups, especially social partners, in policy formulation and

implementation, has been subject to growing pressure. There has been a gradual shift in the Scandinavian policy-making style in the direction of more informal interaction between the state and organized interests, lobbying and advocacy, and the growing importance of new policy actors such as policy professionals, think tanks, and other producers of policy ideas (e.g. Christiansen and Rommetvedt 2002; Christiansen et al. 2010; Holli and Turkka 2021; Lindvall and Sabring 2005; Svallfors 2016). Policy networks and network governance in and of these more crowded and contested policy arenas have become a more widely probed route to address complex policy challenges.

Notwithstanding these changes, students of successful public policymaking will continue to examine what goes on in Northern Europe (Scott 2014; Sørensen and Torfing 2019; Øvald et al. 2019). Our aim is to contribute to the growing literature on policy successes, providing a focus on the Nordic countries (Compton and 't Hart 2019; de la Porte et al. forthcoming; Luetjens et al. 2019; McConnell 2010, 2017). We consider it important to continue to examine and understand the genesis of governments' positive accomplishments at a time when public disenchantment with government, politics and democracy is spreading like wildfire. Contributing to this emerging wave of 'positive' public governance scholarship (Douglas et al. 2021), the aims of this book are to see, describe, acknowledge, and promote learning from past and present instances of highly effective and highly valued public policymaking in the five Nordic countries. This book is envisaged as a companion volume to the agenda-setting *Great Policy Successes* (Compton and 't Hart 2019) and to concurrent volumes on policy successes in Australia and New Zealand (Luetjens et al. 2019) and Canada (Lindquist et al. 2022).

## Identifying and Understanding Policy Successes

Through public policies, governments have enormous potential to shape the lives of their citizens. Actions taken at any given time can affect both present conditions and future trajectories. Much is at stake when new public policies are forged or when established ones are reformed, and it behoves governments to learn from past experiences and avoid earlier errors as well as emulate past successes.

To a certain extent, the academic policy literature has lagged behind these developments. In the 1970s scholars produced classic accounts of public policy, now enshrined in the canon of academic research worldwide and academic curricula in universities everywhere, but which focussed attention on policy failures rather than successes. Among the best-known works from this foundational set of policy studies in the US, for example, are Pressman and Wildavsky's 1973 classic *Implementation* and Peter Hall's *Great Planning Disasters*, published in 1980, which showcased and explored public-policy failures. These studies showed that although having seized a much more prominent role in public life following World

War II, Western governments had internal complexities which combined with the vagaries of democratic political decision to often thwart their ambitions.

Somewhat unintentionally, generations of public-policy and public-administration students were steeped in such pessimistic diagnoses from these and waves of similar studies which followed them (Bovens and 't Hart 1996; Butler et al. 1994; Gray and 't Hart 1998) and in the 2010s (Allern and Pollack 2012; Crewe and King 2013; Light 2014; Opperman and Spencer 2016; Schuck 2014). Although this did provide a firm analytical grounding of the institutional, behavioural, political and media dynamics contributing to the occurrence, framing and escalation of public-policy failure, it largely ignored or downplayed policy success.

This discourse has been quite influential. Day in, day out, media reports and social media discussions about alleged government mistakes continue to exacerbate this negative frame, with significant implications for public perceptions and appreciation of government institutions. Though significant, however, the story of endemic government failure ignores the fact that in the Nordic countries—perhaps even more frequently and consistently than in other parts of the world—public projects, programmes and services have often performed well, sometimes exceptionally well, and sometimes for decades on end (see Bovens et al. 2001; Goderis 2015; Roberts 2018), generating as well as benefitting from high levels of generalized public trust (Rothstein and Oslaner 2005; Rothstein 2013).

And yet, to date most academic students of public policy have had little to say about 'how the sausages are made' when public policy is done well. The net impact of the lack of focus on this 'up-side' of government is that the current generation of students and young scholars in public policy and governance cannot properly 'see' and recall, let alone recognize and explain successful policies and programmes in their own countries.

What our field needs is a more balanced focus on both the 'light' and the 'dark' sides of the performance of our political and public-sector institutions (Compton et al. 2021). This book is designed to help achieve this. It aims to help reset agendas for teaching, research and dialogue on public policy and governance both within and beyond the five countries of the Nordic region by systematically examining outstanding cases of policy success, providing a foil to those who focus only upon errors and mistakes. It offers a series of close-up, in-depth case-study accounts of the genesis and evolution of stand-out public-policy achievements, across a range of jurisdictions, sectors, issues and time periods. Through these case analyses, we hope to inspire a generation of teachers and researchers in policy analysis.

In this volume, we will adopt as our working definition that a policy can be regarded as a success to the extent that it: (a) demonstrably achieves highly valued social outcomes; (b) a broad base of public and political support for these achievements and the processes involved in their design and delivery; (c) manages to sustain this equilibrium of high performance and strong legitimacy for a

considerable period of time even in the face of changing circumstances (Compton and 't Hart 2019; Lindquist et al. 2022; Luetjens et al. 2019).

Of course, like 'failure', success is not a matter of indisputable fact. Helicopter (e.g. 'net benefits to society') and granular ('inequitable distribution of costs and benefits to different groups in society') vantage points may lead to stark differences in assessment and interpretation of policies and programmes (McConnell 2010). We can monetize or otherwise standardize costs and benefits of policy processes and outcomes, and we can set time frames and construct comparators across time and space to document our assessments. But there are also the lived realities and situated perceptions ('where you stand depends on where you sit') of different actors and stakeholders to be taken into account.

Labelling a policy or an agency as successful depends on which stakeholders are involved, the positions they take, and the political environment. Public perceptions, political support, programme legitimacy and institutional reputations all come into play in shaping whether a new government initiative or entity is considered successful or not. As McConnell et al. (2020) remind us, case studies of policy outcomes should go beyond ascertaining whether a particular programme is successful from the point of view of the government that undertook it; they should also probe the extent to which key actors within and outside government have been successful in shaping the programme and reaping its benefits. In that sense, all policies and programmes harbour particular configurations of success and failure depending on which and whose vantage points one uses in assessment. Questions thus abound for each case-study author. For example:

- Successful in what regard, for whom, at which point in time, relative to what benchmark?
- Successful in actually 'doing better' to achieve public purposes, or primarily in making the public 'feel better' through more effective framing and dramaturgy?
- How do luck (context, zeitgeist, chance events, crises) or skill (political and public-service craftsmanship in design, timing, execution, political management, capacity-building and public relations) each play their part, and how do they affect one another?

In structuring the case-study narratives and analyses, we provide case authors with a framework adapted from Compton and 't Hart (2019) and Luetjens et al. (2019) that requires them to attend to a number of factors and employ certain analytical perspectives in designing and reporting their case studies (see Table 1.1). Building on Bovens and 't Hart (1996) and McConnell (2010), two core assumptions underpin it:

**Table 1.1** Dimensions of policy success: A map for case assessment

<b>Programmatic success: Purposeful and valued action</b>	<b>Process success: Thoughtful and effective policy-making practices</b>	<b>Political success: Many winners, firm support and reputational benefits</b>
<p>A well-developed <i>public value proposition</i> and <i>theory of change</i> underpin the policy</p> <p><i>Achievement</i> of (or, considerable momentum towards) the policy's intended and/or of other <i>beneficial social outcomes</i></p> <p>The pleasure and pain resulting from the policy are <i>distributed fairly</i> across the field of institutional and community stakeholders</p>	<p>The design process ensures carefully considered <i>choice of policy instruments appropriate to context</i> and in a manner that is perceived to be correct and fair</p> <p>The policy-making process offers reasonable opportunities for <i>different stakeholders to exercise influence</i> and <i>different forms of expertise</i> to be heard, as well as for <i>innovative practices and solutions</i> to be attempted before key policy choices are made</p> <p>The policy-making process results in <i>adequate levels of funding, realistic timelines and administrative capacity</i></p> <p>The delivery process effectively and adaptively deploys (mix of) policy instrument(s) to <i>achieve intended outcomes with acceptable costs</i>, and with limited unintended negative consequences</p>	<p>A wide array of stakeholders feel they have been able to advance their interests through the process and/or outcomes of the policy</p> <p>The policy enjoys relatively high levels of social, political and administrative support</p> <p>Being associated with the policy <i>enhances the reputations</i> of the actors driving it (both inside and outside government).</p>
<p><b>Success over time:</b></p> <p><b>Consolidation and endurance</b></p> <p><i>High levels of programmatic, process and political efficacy are maintained over time</i></p> <p>Stable or growing <i>strength of social, political and administrative coalitions favoring continuation</i> of the policy over time</p> <p>Emerging narratives about the policy's success <i>confer legitimacy on the broader political system</i></p>		

Source: authors, building upon [Compton and 't Hart \(2019\)](#)

First, it presupposes that balanced policy evaluation requires a multi-dimensional, multi-perspectivist, multi-criteria approach to assessment. Second, and inspired by Sabatier's (1988) now classic Advocacy Coalition Framework, it presumes that the success or failure of a public-policy

programme or project cannot be properly assessed unless one looks at its evolution and impact across a decade or more from its inception.

### Aims and Design of This Volume

This book is designed first and foremost as a pedagogic and agenda-setting endeavour. The intent is for it to produce a range of up-close case studies of successful public policies and programmes in the Nordic region. The brief to case-study authors was threefold:

- (1) to use the categories of programmatic, process, political and endurance assessment (consolidated in Table 1.1) to ascertain that success was achieved, and in doing so demonstrate the ability of the PPPE framework to produce transparent and balanced assessment of the nature, degree and continuity of policy successes;
- (2) to provide thick-description policy narratives of the context, actors, processes and evolution of the case under study, so that readers get a firm grip on the drivers, enablers and constraints at work (taking on board the influences of both structures and agents);
- (3) to purposefully ‘hold their fire’ on injecting theory-driven explanations for the course and outcomes of the policies, so that researchers, teachers and students can probe the ‘goodness of fit’ of different explanatory constructs they may wish to apply—whether they be general governance paradigms (Torfing et al. 2020) and models of the policy process (see Cairney 2019), or middle-range theories about, for example, policy entrepreneurship (Petridou and Mintrom 2020), policy design (Howlett and Mukherjee 2020), network management (Klijn and Koppenjan 2016), policy feedback (Daugbjerg and Kay 2020), interest groups (Fløthe 2019), advocacy coalitions (Weible and Ingold 2018), bureaucratic politics (‘t Hart and Wille 2012), co-design (Ansell and Torfing 2021), co-production (Alford 2014), or policy implementation (Nilsen 2015).

This volume therefore primarily contains a set of stand-alone cases that are both teachable and may be used as empirical material by policy researchers. In methodological jargon, the cases have been purposefully selected to all congregate on similar scores on the dependent variable (degree of policy success)—not a strategy anyone bent on conducting comparative-explanatory work would prefer to apply. The reason for this is that unlike Bovens et al. (2001), this volume is not an exercise in cross-sectoral or cross-national comparative evaluation of policy successes (and failures). Our case-selection methods were therefore *not* geared to enable comparisons but to showcase known examples of successful public policy. That said, some

readers may wish to explore the potential for more targeted comparisons between clusters of similar cases captured in this book, for example Icelandic and Swedish parental leave schemes; Norwegian and Finnish gender quotas; Danish and Icelandic energy policies; or Swedish (budgets) and Norwegian (pensions) general interest reforms (cf. [Patashnik 2008](#)).

How did we proceed? Academic peers and other public-policy experts in the Nordic countries were consulted to identify potential cases, generate long lists geared to picking policies which at face value (in the opinion of the experts we consulted) seemed to clearly ‘make the cut’ in terms of the four main success criteria specified in [Table 1.1](#). Furthermore, we sought to ensure a broad spread of cases from different policy domains. Finally, we selected cases for which we were able to find subject-matter experts who were willing and able to undertake the case-study work using the PPPE framework.

In all, we believe we have a salient and rich mix of examples of successful public policy in the Nordic countries. Each in their own right offers powerful empirical stories about governments getting things right most of the time, and the authors will analyse how this happened. As such, each case study presents an instance of actors, institutions and processes of public policymaking coalescing to positive effect that can be dissected and debated in classrooms.

### Degrees of Success

[Table 1.2](#) provides a quick overview of the success patterns across the 23 cases included in the book. First of all, it shows how in applying the framework, ‘shades of grey’ turn up in the assessment of the cases across the four main criteria, and how process success is the most elusive of the four. It also shows how some cases started out being politically controversial but over time managed to attract widespread and sustained support (i.e. Norwegian literary policy and gender quotas as well as Swedish carbon tax), as the policy effects took hold and changed social norms or altered political opportunity structures (cf. [Patashnik 2008](#)).

The table furthermore suggests that the common denominator across all cases—the sine qua non of being counted as a policy success in the Nordic world—is (moderate to) *high programmatic success that endures over time*. Conversely, the current set of cases does not include those instances where policies *do* good but don’t *look* or *feel* good for a broad array of parties and stakeholders, in other words programmatic successes that nevertheless remain politically precarious (see [Bovens et al. 2001](#) and [McConnell 2010, 2017](#) for examples in other jurisdictions). At the same time, we can see from the table that in a few instances only moderate levels of policy success (for example, Danish cancer treatment policy, where ‘merely’ progress was being made towards catching up with more advanced high-performers abroad) are enough to elicit high levels of political support.



**Table 1.2** Degrees of success in the case set

Criteria Chapter nr/Case description	Programmatic success	Process success	Political success	Endurance success
2 DK—organic farming	++	++	++	++
3 DK—wind energy	++	+	++	++
4 DK—childcare	++	++	++	++
5 DK—pensionable age	++	+	++	+
6 DK—cancer treatment	+	++	++	++
7 NO—gender quotas	+	+	+/- to +	++
8 NO—student financing	++	++	++	++
9 NO—literary policy	++	+	+ to ++	++
10 NO—oil fund reforms	++	+/-	++	++
11 SE—budgetary reform	++	+	++	++
12 SE—carbon tax	++	+	+/- to ++	++
13 SE—parental leave	++	+	++	++
14 SE—neutrality	++	+/-	++	++
15 SE—child vaccination	++	+	+	++
16 IS—civil protection	+	++	+	++
17 IS—energy provision	++	+	++	++
18 IS—parental leave	++	++	++	++
19 IS—economic recovery	++	++	+	+
20 FI—baby box	++	++	++	++
21 FI—education quality	+	+/-	++	+
22 FI—conscription	++	++	+	++
23 FI—gender quotas municipalities	++	+/-	-	+
24 FI—homelessness	+	+	++	+

Legend: ++ highly successful; + moderately successful; +/- neither successful nor unsuccessful; - moderately unsuccessful; -- highly unsuccessful; 'to' indicates evolving assessment over time. Also, the table reflects the scores by duos of editors based on the final version of all case studies as delivered by the authors (who were not involved in the subsequent scoring effort). The table is for indicative purposes only.

Source: authors

Apparently, sometimes 'good enough' programmatic achievement will do, even in the Nordic region.

With such a track record, one might infer that Nordic authorizing environments for public policymakers continue to maintain high-performance expectations, given that their frame of reference may well be shaped by the relatively plentiful set of instances in which the stars of smart policy design, prudent management of the politics of the policy-making process, and effective policy implementation align. In some of the cases in this volume, this has produced world-leading and identity-conferring initiatives (Danish organic farming and wind energy; Swedish child

vaccination; Swedish and Icelandic gender-equal parental leaves; Finnish comprehensive schools; Norway's oil fund) or swift and bold restorative action after deep policy failure (Iceland's economic recovery after the collapse of its banking system). In other instances, for example in Norway's literary, Finnish conscription and Sweden's neutrality policies, it has enabled enduring nation-wide commitment to idiosyncratic policy stances that few countries in the world have either contemplated or maintained for such long periods of time. By global standards, many of the policies covered here rank as world-leading performances, but perhaps that matters less in the Nordic context, where national policymakers' eyes are first and foremost trained on how a policy performs relative to that of their regional neighbours—which keeps the bar high.

### Enablers of Success

Combined, the case studies in this volume provide us with a deep look into the engine rooms of the Nordic machinery of public policymaking. Looking inductively and comparatively, we can see four recurrent factors in the operation of these engine rooms that are worth pointing out to readers of the individual cases studies in advance.

#### #1 Inclusive policymaking

In keeping with the 'Nordic model' script, many of the cases in this volume feature *consensus-seeking, coalition-building styles of policymaking* that are buffered by strong institutions, respect for deliberation, technocracy and expertise, appeals to shared values and overarching identities, and pragmatic adaptation of policies in response to feedback or changing circumstances. Even though there were quite a few minority governments and frequent changes of coalition to contend with over the years, in many instances the key to both programmatic success and policy endurance is that the policy was supported by what political scientists call 'oversized majorities': a broad spectrum of political parties and organized interests, reaching well beyond the 50%+1 minimalist-majoritarian approach that often prevails in Westminster/Washminster-style two-party systems. Epic battles between two ardently opposed advocacy coalitions that take forever to be resolved, are few and far between (with the partial exception of the Swedish carbon tax case).

Indeed, a striking feature of virtually all cases included in the volume is their high longevity, made possible by broad and firm support for the policy's core value proposition. Quite a few cases can be read as confirming the finding by Eric Patashnik (2008) in his comparative study of reform implementation, that once

a policy has been adopted and implemented, this in itself may alter the composition of the relevant policy arena and the relative weight of different actors in it. The Nordic-style policy deals that are characteristically mindful to ensure there are many winners therefore have the side-effect of *'locking in' a broad array of political parties and stakeholder groups who now have something to lose if the new policy gets changed or abandoned*. Swedish neutrality policy is a great example of this endurance-inducing 'something in it for many' approach: nationalists got the commitment to Sweden's autonomy while Social Democrats could use it as a continuing platform for attempts to have Sweden punch above its weight in world affairs (i.e. as an 'honest broker' mediator in international conflicts or a digressing from the NATO-countries' line against left-wing regimes in the Global South).

In the great majority of cases in the volume, the key to success appears to have been the proponents of the policy's propensity to forego the sirens' call of a more combative winner-takes-all mode of political cogitation, opting instead for a more consensual or package-deal-driven approach which may take more time to put together, but in which many parties end up having skin in the game. The institutions enabling this *corporatist-consultative-inclusive route* to policy success commonly associated with the 'Nordic model' include the structures and routines of parliamentary committees, and the tradition of institutionalized consultations of stakeholders (or mini-publics). These strong institutions serve to pace the work of 'getting to yes' about policy reforms, acting as holding environments and institutional incubators and sometimes refrigerators to work through contending policy solutions and mitigate political conflict. Some cases reveal a capacity for institutional innovation that changes the nature of the game. This can be so by providing rules that constrain actors while opening up new conceptual spaces that allow for a process of continuous compromise-making to be facilitated, where previously we could observe less optimal outcomes as a result of an inability of polar opposites to cooperate (Sweden budget reform, Norway the ethical guidelines of the oil fund).

At the same time, the volume also contains numerous examples of successful policies that were driven by relatively closed groups of policy elites and experts. Delegation of policy design work to expert committees vetted by broad-based parliamentary committees, or semi-autonomous agenda-setting by coalitions of experts were at the core of what might be called the *elitist-technocratic route* to policy success. The Norwegian oil fund, the Swedish child vaccination programme, Icelandic energy policy, the Danish pension reform, and the Finnish model for quality in education were all products of this mould.

## #2 Anticipatory policymaking

In comparison to the findings of the global and Antipodean volumes on policy successes (Compton and 't Hart 2019; Luetjens et al. 2019), there is a noticeable

dearth of instances of policy changes that were undertaken in response to acute crisis. Iceland's response to the near total collapse of its national economy following the global financial crisis is virtually the only exception and was a case of sheer necessity rather than cunning policymakers 'using a good crisis.' By contrast, quite a few of the instances of policy success in this volume were initiated as pro-active responses to creeping demographic change (Danish pensions), cultural erosion (Norway literary policy), lurking problems of national vulnerabilities (e.g. Norway's resource economy) or likely changes in geopolitical circumstances (Swedish neutrality, Finnish conscription).

In the wind-energy and organic-farming cases, Danish publics were mobilized by depictions of the policy as an example of an alleged national propensity for forward-thinking, and smart and agile innovation. In several cases—such as Icelandic electricity and energy policy, Danish pension reform, Swedish budget policy, or the Norwegian oil fund, we can see the chief policy architects *explicitly taking a long-term perspective as the basis for framing innovative national projects and strategic reforms*. At the same time, in the face of initially robust opposition, they are also astute in timing and pacing the work of reform: leveraging the electoral cycle, surfing on the wings of paradigmatic change in the larger policy context, keeping pace with technological possibilities, and making use of the momentary presence of able, committed, influential individuals in key posts. The cases offer many micro-examples of such leadership, for instance: committed scientists and medical professionals in the Swedish child vaccination case, passionate community advocates in Iceland's civil-protection system, cross-partisan group advocating gender quotas for Finnish executive bodies, prime ministers crafting grand bargains and patiently working many rooms to grease the wheels of compromise, ministers who combine a sense of mission with the wherewithal to strike when the iron is hot, and senior bureaucrats or secretaries to expert inquiries or parliamentary committees playing the policy game.

In order to achieve these far-sighted goals, policymakers sometimes put the human proclivity for short-sightedness to good use to '*smuggle in*' reforms that have major long-term implications but pose relatively modest short-term changes or costs. This phenomenon, known from cognitive psychology and behaviour economics (Thaler and Benartzi 2004), can be leveraged in order to get things under way. Three of our cases come to mind: Norway making the decision to establish what was de facto an oil fund at a point in time when there were no monies available to deposit there, hence the sacrifice of saving was postponed. Denmark and her pension reform linking retirement age to increased life expectancy again affecting real long-term change with a minimum of costs up front. We can also see much of the same effect with the Swedish carbon tax: low levels and important exemptions from the start, but as the Social Democrats said at the time, it was a 'good start' (which turned out to be accurate).

### #3 Powerful metanarratives

Furthermore, another striking feature across a range of cases was the *enduring normative power of the welfare-state metanarrative*. For example, in Sweden, the notion of the *Folkhemmet* (the home of the people) and in Denmark that of the *Velfærdssamfundet* (the welfare society) serve as such normative anchors. In fact, large segments of the community in all five countries appear to pride themselves on being considered socially progressive, including being seen to be world-leading on measures to advance gender equality and progressive family policies, including earmarked parental leave—successful in Sweden and Iceland—and universally available high-quality childcare—in Denmark. Proposed policy changes or institutional reforms were often claimed to be perfecting, expanding or preserving the national welfare state, in which all citizens have high standards of living, including wages, well-being, the ideal of gender equality and other symbols that appeal to national sensibilities. Thus, rather than inviting criticism, making such claims has evidently helped proponents of a particular policy mobilize public acceptance for them. Examples include Norwegian student finances, Icelandic paid and earmarked parental leave, Danish early childhood education and care, the Finnish baby box and Finland's Housing First policy.

This stands in stark contrast with policymaking in the Anglo countries where even proponents of progressive social policy reforms would rather cut their tongue than rhetorically appeal to the welfare state, which in these systems has become equated with an overbearing, bureaucratized, unaffordable, negatively loaded 'nanny state', or indeed to any other superordinate goals or overarching value. Not so in the Nordic countries, where referring to dismantling the welfare state has proved a politically precarious posture for any political party to take, and where appeals to social solidarity across class, gender, geographic and generational fault lines have always been part of the armoury of policy reformers. This is the case even when keeping public expenditure at bay lies at the heart of a proposed policy, as in the cases of Danish pension and Swedish budgetary reform.

In fact, in the cases of Finnish conscription, Swedish neutrality, Icelandic civil protection and Norway's literary policies, key policy architects and supporters commonly *frame them as identity-conferring projects*, appealing to shared notions of an overarching 'we' that large segments of the population ascribe to. The Nordic nations have until very recently understood themselves as small, cohesive, ethno-culturally homogenous societies, where such centripetal appeals to superordinate identities can be made with relative ease, and where overarching storylines and rhetorical tropes can be situated in jointly revered historical achievements or jointly remembered episodes of adversity. For example, many Swedes appear to be receptive to claims that a particular policy is part of a distinctive 'Swedish middle way'. The broad support for what turned out to be a virtually unique but also a widely debated strategy for dealing with Covid-19 is a case in point of just

how powerful that implicit sense of national idiosyncrasy might still be. Likewise, Finns were actively reminded of their heroic young-state military bravura against the Russian bear, as part of the effort to embed and sustain the policy of conscription in national mythology (as of February 2022, such reminding was no longer necessary). And while the baby box in Finland was initially a poverty-prevention mechanism, it eventually became part of a national identity, embraced by all parents.

However, the normative power of this meta-discourse, which originates in an era when the Nordic countries were made up of homogenous large majority populations, now faces forces of erosion. Most of the Nordic societies now contain sizable groups whose cultures are not steeped in an integrative ideal of Nordic inclusiveness provided for by a benevolent state and extending to all stages of life. For example, in the Danish childcare case, some groups were not keen to have their children socialized in childcare institutions. Also, the long-term growth in immigration in the Nordic countries has fuelled welfare-chauvinist policies that negatively target migrants and thus break with the ideal of the universal welfare state (cf. [Careja and Harris 2022](#)).

#### #4 Imitation and coupling

There are several instances where successful policies have been partially enabled or facilitated by policy learning and coupling disparate initiatives into inter-linked reform packages. The Swedish budget reform, which was crafted in the shadow of other reform initiatives that attracted more public attention, is one example. Similarly, the Swedish carbon tax might not have happened if it were not for the 1989 tax reform, which created a need for new revenues to compensate for reduced income taxes. Similarly, the spending rule pertaining to the Norwegian oil fund came packaged with a central bank reform that de facto gave the central bank the power to ‘punish’ policymakers with higher interest rates if it deemed their choices to be irresponsible. Hence, in light of these experiences, there are good reasons to carefully consider the ‘embeddedness’ of successful policy programmes in relation to other overlapping and nested public policies. This is a recognition of policy interdependence where the programmatic design of novel policy solutions is partially shaped or enabled by other public policies.

The Nordic success stories have not evolved in isolation. Several chapters in this volume provide examples of *lesson-drawing and transfer of policy ideas* across and beyond the Nordic region. This has been a multi-directional process, where countries in some cases have served as ‘front-runners’ and inspired other countries to follow, while in other cases they have taken inspiration from abroad. Swedish child vaccination policy, for instance, served as an exemplary model, guiding joint efforts by the Red Cross and UNICEF to develop children’s vaccination against tuberculosis in post-war Europe. Similarly, the reserved months policy in

parental leave schemes has been depicted as one of Sweden's and Iceland's major policy exports as many other countries have followed suit (Windwehr et al. 2021). Another example is how other countries have taken Norway's lead on the issue of gender quotas on corporate boards. Yet another example is the Danish model of pension reform, which is now being emulated in other Nordic countries (see Kvist and von Nordheim this volume).

A word of caution is in order here. The cases in this volume tell tales of accomplishment, but we should not blind ourselves to the rationalist fallacy of thinking that the observable fact that things turned out well in terms of the criteria in the PPPE framework necessarily means that the policies in question were forged with purpose and foresight. Nordic policymakers are still bounded-rational 'cognitive misers' with lots on their plates, with complex pluralist policy arenas to be straddled, and perennial political fires to be fought in real time. So, readers should not be surprised to learn that some of the successes in this volume were *not* the product of grand plans and comprehensive strategies to enact them, but rather of fledgling, incremental initiatives that only happened to 'add up' over time. The evolution of Iceland's civil-protection system is a case in point. Conversely, some policies, such as the Finnish baby box, have endured not because they still meet urgent needs, but because they have unintentionally become identity-conferring symbols. So, whilst there is much to celebrate and learn from in the cases of this volume, reader should see through the myths of any 'Nordic model' and focus on the realities of policymaking on a case-by-case basis.

## Where To From Here?

Although it has been designed first and foremost as a pedagogical exercise (producing teachable cases along with a conceptual toolkit for discerning and debating policy success), this volume's yield may nevertheless inspire future studies of policy success—either within or beyond the Nordic region. By way of closing this introduction to the volume, we offer some directions that such future studies might helpfully explore. These directions represent suggested avenues for policy success scholarship and are not intended as an exhaustive research agenda. In addition, we encourage readers to identify and elaborate other crucial elements of policy success, which can aid in advancing the understanding of the phenomenon across cases and contexts.

### #1. Take the design and use of the assessment framework to the next level

The current PPPE framework is primarily a heuristic argumentation map to support qualitative-interpretive assessments of policies. It offers suggested indicators for each of the four major assessment criteria but does not specify their

operationalization or the relative weight they are to be accorded in arriving at synthetic judgements concerning the degree of success and failure on each criterion. Nor does it consider the possibility of according different weights to the four criteria themselves. This leaves the use of the model open to the different normative and analytical propensities of its users. Consequentialist scholars might, for example, be inclined to give far more weight to programmatic and political than to process assessment, whereas appropriateness scholars might favour the latter.

## #2. Contrast and compare cases on opposite (or multiple) positions on the success-failure continuum

A sine qua non for explanatory studies is controlled variation on the values of both dependent and possible independent variables in the phenomenon of interest. This means, for example, systematic case sampling so as to achieve pair-wise or broader batch-wise comparisons of both successful and failed policies/reforms in otherwise comparable settings, that is, longitudinal comparisons of different attempts to reform pensions, to implement ‘green’ farming practices, or to change the energy mix both within (over-time, within-country comparison) or across (in-time, cross-country comparison) certain Nordic countries. When this is done meticulously, research might be able to isolate what (configurations of) factors account for these differential results. Within-case longitudinal comparisons—assessing policies and reforms at different points in time—can be especially illuminating, as they may point us to non-random patterns in the sequencing of failures and successes within a particular policy domain. In other words, such comparisons might allow us to deepen our insight into the policy folklore that ‘failure breeds success’ (through policy-oriented learning) and that ‘success breeds failure’ (through complacency)(cf. [Hemerijck and Schludi 2000](#)).

## #3. Infuse the study of policy success with explanatory allure

Currently, the study of policy implementation offers many more *ex post facto* accounts of how and why policies have disappointed or even failed outright than there are explanations of policies that have succeeded. Yet, there are many reasons to believe that success cannot simply be achieved by avoiding the known causes of policy fiascos. Excellence in public policy is not just about dodging the bullets of political and bureaucratic folly. At the same time the field of public-policy studies does offer rich strands of explanation-focused theory and research on agenda-setting and policy change as well as a host of generic frameworks of the policy process, yet these generally stay away from questions of success and failure



(Cairney 2019; Weible and Sabatier 2017). Meanwhile, there is growing prescriptive literature on ‘policy design’ that implies we already have robust knowledge of ‘what works when’ in selecting goals, instruments and delivery mechanisms for public programmes and projects (Howlett 2019; Howlett and Mukherjee 2020). Something is missing in between: there is a relative dearth of studies explicitly theorizing and then testing what combinations of factors—agency-centric as well as contextual/structural—may account for observable differences in degrees of (programmatic, process, political and endurance) success. There are plenty of candidate hypotheses and social mechanisms that have been proposed over the years to fill the gap. What is needed now are studies that take it upon themselves to test them in robust comparative designs.

#### #4. Leverage insights about success to help tackle on pervasive policy problems

A related and important avenue for future work is to explore whether and how insights about the nuts and bolts of policy success can be used to inform efforts to address some of today’s most pressing societal problems. What is offered in this volume is not a complete ‘script’ for crafting programmes and policies for the betterment of society. Nevertheless, an important next step is to think about whether and how the drivers and enablers of success identified by the contributors to this volume can be leveraged to achieve shifts in policy areas plagued by widespread popular criticism, questioning of the ability of public institutions to do their job, and evidence of negative societal or environmental outcomes. What lessons can be offered for policymaking to address the most pervasive problems? This challenge calls for continued dialogues regarding how to effectively exploit experiences from past successes to inform efforts to address enduring societal challenges, while avoiding known fallacies of analogical reasoning and unsuccessful policy transfer.

Suggesting this ambition prompts a return to the factors we identified earlier as being enablers of success, particularly the ability to organize inclusive policy processes that are anticipatory in their orientation and, ideally, identity-confirming in their use of metanarratives. In turn this raises two questions. Firstly, to what degree do these Nordic enabling factors depend on cultural and institutional legacies that are neither presently enjoyed nor easily replicated in other regions and states? At this point it could be useful to distinguish between mechanisms that may be idiosyncratic because they are rooted in such legacies as high degrees of trust and a tradition for compromise politics, and those that hold more promise in terms of being reproduceable outside the Nordic context because they are rooted in universal mechanisms. An example of such a universal mechanism is the utilization of human short-sightedness in the design of policies seeking to attain long-term goals.

Secondly, in the case of the Nordic countries themselves, to what degree are these legacy factors as influential today as they once were? The endurance criterion used to select success cases implies that most if not all of our cases had their formative moments a fair way back: none of them were decided upon ‘yesterday’. As already noted, the Nordics have not been spared recent trends such as increasing (wealth and income) inequality, social media driven echo-chamber conflict, climate, environmental degradation and disasters, disengaged youths, violent gangs, hate crimes and home-grown terrorist attacks. Thus, we cannot take for granted that the high levels of trust (interpersonal and institutional) and the culture of compromise that arguably lay behind the success enablers will continue to facilitate Nordic policymaking to quite the same degree in the future.

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PART I  
POLICY SUCCESSES IN DENMARK





## 2

# Organic Food and Farming Policy in Denmark

## Promoting a Transition to Green Growth

*Carsten Daugbjerg and Yonatan Schwartzman*

### **A Leader in Organic Farming**

Governments have been involved in regulating agricultural production and supporting farm incomes since the 1930s.<sup>1</sup> Since the mid-1980s, scientists, environmental NGOs, environmental authorities and policymakers have increasingly become aware of the fact that modern agricultural production is a source of surface water and groundwater pollution, and has harmful effects on biodiversity. Further, and over the last few years compelling evidence has emerged that food production is a major emitter of greenhouse gases. One of the policy responses to address agricultural pollution and environmental damage has been government support for organic farming.

In most developed countries, governments are involved in promoting the organic food and farming sector. While the concept of organic farming dates back to Rudolf Steiner's thoughts in the 1920s and 1930s, it was not until the late 1980s that national governments saw organic farming as a policy measure to address environmental issues in the farming industry. The European Union (EU) became involved in promoting organic farming in the 1990s. It introduced subsidies for organic farming and baseline standards for organic farming and food production with which member states were obliged to comply (Lynggaard 2006). Member states can provide additional support for organic farming and formulate national policies to grow the organic industry. There is significant variation in the way in which the member states have used this flexibility to design their organic food and farming policies.

Denmark, Finland, Norway and Sweden have adopted policies to promote organic food and farming. They have introduced a variety of regulatory, subsidy

<sup>1</sup> We thank Sidsel Daugbjerg Witt for proof reading and Søren Vang Theodorsen of the Agricultural and Food Council for archival support.

and information dissemination measures and have provided funding for research in organic farming methods to increase the production and consumption of organic food. The Danish policy is the most comprehensive amongst the Nordic countries and rests on two pillars. It includes supply-side policy measures aimed at creating conditions for farmers to convert to and maintain organic farming *and* demand-side policy measures designed to increase the demand for organic food. Such an organic policy model has been coined *active market development policy* (Daugbjerg and Sønderkov 2012; Halpin et al. 2011). The policy has provided conditions which enable Denmark continuously to lead globally in terms of increasing organic food consumption. It has displayed innovative policymaking by designing and effectively implementing policy instruments which were new and unseen within the agricultural policy domain. It has integrated both conventional and organic interest associations in policymaking, and built a consensus that organic farming is an integral part of the Danish farm industry. It has generated unique policy capacity. Finally, it has set the policy on an enduring course of promoting the organic food and farming sector.

Hence, the Danish organic food and farming policy can be considered a success despite short-lived programmatic setbacks. We use the PPPE heuristic to assess policy success across the following four dimensions:

- Programmatic dimension: effective implementation of instruments, goal achievement and impact;
- Process dimension: use of expertise and stakeholder involvement in policy design;
- Political dimension: extent to which policy enjoys social, political and administrative support;
- Endurance: consolidation and continuation of policy.

We start by analysing the success of the Danish organic food and farming policy across the three first-mentioned dimensions. Before we turn to endurance, we firstly analyse policy context, challenges and agents and secondly, policy design and choices. This enables the analysis of endurance in the subsequent section. The two final sections explore whether a counternarrative exists and conclude the analysis.

### **A Policy Success?**

While factors other than government policy affect the growth of the organic farm and food sector, there is a significant impact from the Danish organic food and farming policy (Daugbjerg and Sønderkov 2012). Since the Danish government became engaged in promoting the organic farming and food sector in 1987, the government interest has been to expand the organic sector, though there has been

a slightly different emphasis on the degree of government involvement over time. While the governments led by the Social Democrats generally have been more willing to intervene in the organic farming and food sector than governments led by the Liberal Party, there has been a general agreement on the desire to grow the organic sector (Schvartzman 2012).

The Danish organic food and farming policy has been widely considered a success and very little opposition to it has been articulated. The achievements of the policy are broadly supported by the political parties across the spectrum as well as the farm associations. Government officials take pride in the policy and what it has achieved. No actor with a stake in policy has claimed to be negatively affected. It provides benefit to the organic farming and food industry but not at the expense of other actors, and it does not exclude farmers or other market actors from benefiting from policy if they decide to 'go organic'. The policy costs are shouldered by taxpayers but discontent within this broad group has not been voiced to an extent at which a political party has articulated it in the policy debate.

### Programmatic success

The objectives of the Danish organic food and farming policy were broadly formulated and difficult to translate into specific goals for evaluation purposes. However, a comparative perspective can enable us to assess the programmatic success of the Danish policy.

There is no consensus on how to measure organic policy success on the programmatic dimension. A measure of programmatic policy success often used by policymakers is the area of land converted to organic farming. For instance, Austria aims to maintain its position as the EU member state with the highest share of farmland converted to organic farming (Darnhofer et al. 2019). While this measure of policy success can be used to assess change in agricultural land use over time, it can also be misleading as a measure of transition to more sustainable farming practices and food consumption. For example, Australia has the largest area of certified organic land in the world but at the same time domestic consumption is very low and not even recorded. In fact, half of the world's organic area can be found in Australia. Most of the organically certified land can be found in the Australian outback where agricultural production is based on very extensive grazing (Schlatter et al. 2021: 37–39, 67). Organic certification under such conditions would require minimal change of existing production practices. In contrast, conversion to organic farming on intensively farmed land would mean substantial change of farming practices. Hence, a better indicator of organic food policy success in programmatic terms is the level of organic food consumption, measured as the share of the total food purchases that is certified organic. Such a measure of

the degree of programmatic success resembles the degree of transformation of the food market towards sustainability.

The Danish government became involved in supporting organic farming in the late 1980s when parliament adopted the Act on Organic Farming in 1987 (Lov no. 363, 1987). The aim was to promote organic food production, but no specific objective was stated. Prior to the adoption of the Act, a report prepared within the Ministry of Agriculture had emphasized that the expansion of organic food production should be driven by the development of the market for organic produce (Landbrugsministeriet 1986, see also the following section). Hence, the degree of programmatic success of the Danish organic food and farming can best be established by using organic food consumption as the key indicator.

Denmark emerged quite early as a frontrunner in developing and growing the organic food sector. It belongs to a group of four front-running countries also including Austria, Switzerland and Sweden. Since the late 1990s when comparable international sales data became available, Denmark has had the highest level of organic food sales. By 1997, 2.5 per cent of the food purchased in Denmark was organic, positioning Denmark as the lead country (Willer and Yussefi 2000: 52). By 2019, Denmark was still leading with 12.1 per cent of the food sold by retailers and online outlets being organic, followed by Switzerland with 10.4 per cent and Austria with 9.3 per cent. Achieving 9.0 per cent, Sweden ranked fourth. Finland and Norway were well behind with 2.6 and 1.7 per cent (2016) respectively. No data were recorded for Iceland (Schlatter et al. 2021: 67–68). Growth in organic consumption is mainly driven by private purchases but consumption initiatives within the public sector have also had an impact.

Broadening the programmatic success indicator beyond consumption, the Danish organic food and farming policy has performed well in relation to other aspects. Government engagement in the Danish organic farming and food sector was originally motivated by a political desire to avoid potential future imports of organic food products which could be produced in Denmark. As the organic sector grew, it became an export industry. Exports increased from 2.3 million Danish *kroner* in 2003 to 3 billion *kroner* in 2019. Finally, the Danish organic farming sector has progressively been recognized by government for its positive contribution to the increase of sustainability in the farming sector, in particular in relation to biodiversity, reduction in pollution of surface water, groundwater and animal welfare, as for instance stated in the 2015 Agricultural Accord (*Landbrugspakken*).

### Process success

The design and management of the organic food and farming policy process have been pivotal to both its programmatic and its political success. Stakeholders have been fully integrated into the decision-making process. A collaborative approach

to policy design and decision making has developed. By bringing together actors with relevant resources in this manner, a high level of expertise and a firm web of relationships, both crucial components of policy capability, have developed throughout the policy domain.

The Danish government became involved in the organic farming sector in 1987 when adopting the Act on Organic Farming which also established the Organic Agriculture Council (later the Organic Food Council). The government reached out to interest groups representing organic farmers and other industry, retailers and environmental groups with an interest in developing the organic food sector. Early developments within the Organic Food Council cemented a close relationship between the organic policy actors and resulted in collaborative governance arrangements within both pillars of the Danish organic farming policy, which has been a key factor in growing the organic market (Michelsen et al. 2001). This is widely acknowledged within the policy sector as documented in a series of interviews conducted by the authors in 2016. Similarly, the organic business team, which was an ad hoc committee set up by the Liberal government in 2015 and consisting of people with organic industry expertise, concluded that an important factor explaining the growth of the organic market is ‘the close collaboration between the organic industry and public authorities’ (Det økologiske erhvervsteam 2017: 9, authors’ translation).

Initially, there were ideological differences between the farm groups represented in the Council. The two main associations in organic policymaking are Organic Denmark (previously the National Association for Organic Farming) and the Agriculture and Food Council. The former represents organic farmers, consumers and food companies with an organic production line and food retailers, and the latter is a peak organization, representing mainstream farmers and the cooperative food-processing industry. Organic Denmark pursued a transformation of the whole Danish farm sector into an organic industry, wanting long-term ecological concerns to be prioritized over economic concerns. The mainstream farm unions opposed this idea and argued that increase in the size of the organic sector should be driven by consumer demand. They were against a purely state-driven form of development based upon permanent subsidies for organic production. It was considered unfair competition in relation to traditional farming; conversion subsidies were acceptable though.

Despite the ideological controversies, the members of the Organic Food Council have succeeded in agreeing on a shared principle to guide policymaking. As the Council stated in 1999, reflecting an earlier and similar statement: ‘The underlying logic is that the organic farming sector can best be developed in accordance with the market which is created by the demand for organic produce. Thus, conversion is based on voluntary action and positive motivation’ (Strukturdirektoratet 1999: 16, authors’ translation). However, in practice, this market-orientation principle was somewhat relaxed as the Council accepted subsidies for maintaining organic

production as long as these were considered temporary measures that could be reconsidered in the future (Daugbjerg and Halpin 2010; Lynggaard 2001).

As the organic sector grew in the 1990s, the Agriculture and Food Council began also to represent organic farming interest (Schvartzman 2008). For instance, the Danish Farmers' Union established organic advisory services for their members as early as 1987, and set up an ad hoc organic group in 1996 which existed for four years. In 2000, it became permanent as the organic farming committee. Its first chairperson, Evald Vestergaard, later became president of Organic Denmark. The increasingly positive attitude towards organic agriculture was also a reflection of developments in the organic food market. Outside the farmers' associations, the two largest dairy cooperatives (which were also represented in the Organic Food Council) envisaged a growing market for organic dairy products. In 1990, they made their big entrance into the organic food market by offering a 40 per cent price premium for organic milk to their members. Finally, the retailer FDB (now Coop), the second largest food retailer, launched their first marketing campaign for organic food in 1981. The largest retailer, Danish Supermarkets (now Salling Group), began marketing organic food in 1994 (Schvartzman 2008).

A recent indication of the collaborative relationship within the organic food policy sector is Organic Denmark and the Agriculture and Food Council's joint proposal of May 2018 to grow the organic food and farming sector. The proposal, *Organic 2021—Together on Development (Økologi 2021—Sammen om udvikling)*, consisted of 12 policy initiatives and stated that organic production is important for the future of Danish farming. The two associations committed themselves to collaboratively promoting the organic sector. Disagreements between the two associations on policy proposals have been limited, but when these have been adopted, both associations have contributed to implementing them. For instance, when the government proposed a programme for kitchen conversion in the public sector in 2011, the Agriculture and Food Council was somewhat sceptical. Nevertheless, it took part in the implementation of the programme. Some tension may occur as both associations compete to obtain government funding for organic export promotion projects.

### Political success

The organic food and farming policy also scores high on the political success dimension. Amongst the political parties and agricultural interest associations, there is broad agreement on supporting growth of the organic sector. However, limited disagreements may emerge on the extent to which the government should directly support the development of the sector, particularly in relation to demand-side measures.

Despite such differences, all consecutive ministers of food, agriculture and fisheries have wanted to appear supportive of organic farming. Some ministers, particularly those from the Social Democratic party, have used policy initiatives to promote the organic sector as a signature measure of their term in office. Though these are all considered to have performed well in this respect, for some of them organic policy initiatives probably contributed positively to their reputation and political capital. This applies most notably to Henrik Dam Kristensen who rose from this ministerial position to become a prominent figure within the Social Democratic Party and is currently the Speaker of the Folketing (the parliament). His successor, Ritt Bjerregaard, moved on to become EU Environment Commissioner. In contrast, Mette Gjerskov, who enthusiastically promoted the organic sector, saw herself demoted to a backbench position in a cabinet reshuffle—but for reasons unrelated to organic food and farming policy. Other Social Democratic ministers of food, agriculture and fisheries made less of a footprint on organic food and farming policy and did not use it as one of their signature policies or held the appointment too short a time to do so.

Liberal ministers have not displayed the same level of personal and political commitment to organic food and farming policy since they saw themselves more closely affiliated with the conventional than with the organic farming industry. Nonetheless, they were supportive of expanding the organic farming and food industry. Notably, the Liberal/Conservative government's Green Growth Agreement of 2009, agreed with the Danish People's Party, stated that the area farmed organically should increase from 6 per cent of the agricultural area in 2007 to 15 per cent in 2020—a goal also supported by the subsequent Social-Democratic-led coalition government. As a liberal fingerprint, the Agreement emphasized that the increase should be market-based, meaning that farm conversion should be driven by increasing demand for organic food. This aligned with the policy principles adopted by the Organic Food Council in the mid-1990s.

## How Organic Farming's Winning Streak Happened

In this section, we provide an overview of how the organic policy domain developed. The circumstances in which the policy was initiated, the political support behind the policy, who became engaged and how they collaborated are key factors explaining how the organic food policy was put on a trajectory which resulted in a high degree of success.

Organic farming emerged as an alternative to conventional farming during the 1970s but was still a very small niche industry. In 1984, attention to pollution from agricultural production was growing (Schvartzman 2012). This was one of the factors motivating the Minister of Agriculture to set up an Agriculture Commission tasked with considering the legislative, economic, spatial and social conditions for

agricultural production (Schvartzman 2012). In 1986, the Commission published its first interim report on agricultural and environmental conditions. For the first time, organic farming was mentioned by government as a possible alternative to conventional agricultural production. The report described organic farming as a niche industry which could become increasingly important in the future and could potentially serve as a tool for addressing the environmental challenges within the farming industry (Schvartzman 2012).

In order to provide an overview of the conditions in the organic farming sector, the ministry set up a working group led by Flemming Duus Mathiesen to prepare a report on opportunities for organic production in Denmark. The position of the Ministry of Agriculture was from the outset that 'farmers should not be producing something that then could not be sold and thus had to be thrown out' (Schvartzman 2012: 112, *authors' translation*). This attitude was not reserved for organic food but reflected the general position of the Ministry.

The working group had doubts about the potential of organic farming as an instrument for environmental improvement and, given the lack of scientific evidence, this aspect was somewhat downgraded in the discussions. Instead, it decided to assess the economic potential of organic agriculture as an instrument for developing the food market (Schvartzman 2012). The working group recognized the importance of conversion support for farmers but also highlighted the importance of developing sales channels and motivating consumption as a condition for expanding Danish organic production. Estimating that organic consumption could potentially achieve a market share in the region of 10 per cent (Landbrugsministeriet 1986: 6–7), it therefore recommended earmarked support for developing strategies and practices for the marketing of organic produce,

In the Danish parliament, two political parties in particular pushed for support for organic farming. The Socialist People's Party (SF) had included promotion of organic farming as part of its environmental policy agenda since the beginning of the 1980s (Jacobsen 2005). The Social Liberal Party (*Radikale Venstre*) saw organic farming as a tool for maintaining and developing small- and medium-sized farms (Ingemann 2006). In 1986, the two parties initiated a parliamentary debate on organic farming. The parties were interested in supporting the development of distribution channels that would give consumers access to organic products. Furthermore, especially SF's Steen Gade was keen on establishing a national certification scheme. Finally, the parties favoured subsidies for farmers converting to organic production. Subsequently, the two parties put forward a proposal for a support scheme for organic agriculture. Inspired by the working group's report, the proposal introduced measures for subsidizing both organic farmers and marketing. The parties to the right in parliament were positive about organic farming due to its domestic and export-market potential (Schvartzman 2012) and supported the proposal. The Act on Organic Farming was adopted in 1987.



Outside the political arena, the National Association for Organic Farming (NAOF, later Organic Denmark) was founded in 1981 as the first association with the aim of promoting organic farming, facilitating cooperation between alternative growers, assisting new entrants and pursuing the political interests of organic farming. The association organized the majority of organic farmers until the mid-1990s. It founded the Organic Service Centre (OSC) in 1992 which worked to promote marketing and sales of organic products (Schvartzman 2008).

By the mid-1990s, a substantial number of farmers who were members of the conventional farm unions had converted their farms to organic production. Many of these were initially driven by the economic prospects of farming organically and not necessarily as ideologically committed as those who had converted their farms at earlier stages. The conversion wave of the 1990s meant that the mainstream farm unions affiliated with the Agriculture and Food Council became representatives of the majority of organic farmers (Schvartzman 2012). Yet it was still the NAOF which took the lead in advocating for an organic policy that also maintained a focus on establishing an organic market (Halpin et al. 2011). In 2003, NAOF merged with the OSC and became Organic Denmark. Over the years, it has developed a strong focus on the promotion of organic food to consumers. The mainstream agricultural associations focussed on farmers, mainly by providing organic advisory services (Schvartzman 2012). As export of organic food increased, they increasingly engaged in export promotion, sometimes in competition with Organic Denmark. As mentioned earlier, both mainstream and organic farm associations were members of the Organic Food Council, which by then had developed into a major forum of collaboration between actors in the organic food sector. However, strong collaboration in the implementation of the Danish Organic Policy developed outside the Council. We will address parts of this collaboration in the following sections.

## Policy design

Government can choose among different policy strategies for developing the organic food sector. Some governments have chosen a light-touch organic market facilitation strategy in which they assist in creating a basic market infrastructure, such as introducing baseline standards for organic food production and processing, and establishing an accreditation system for private certification and labelling schemes. A second option is a supply-driven policy strategy which concentrates mainly on farm conversion encouraged by organic production subsidies. The financial support is aimed at easing farm conversion and maintaining organic production. The basic idea behind such a policy strategy is that increased supply will create its own demand and hence an organic market will develop. This is the standard policy model used across most European countries but with varying levels

of subsidization. Though there are probably no practical examples, in principle government can adopt a policy strategy in which demand-creation is the focal point by introducing, for example, consumer subsidies (e.g. lowering value-added taxes for organic food) and supporting marketing activities. Finally, governments can adopt an active market-development policy strategy in which a variety of policy instruments are combined to increase both the supply of and demand for organic food products (Daugbjerg and Sønderkov 2012; Halpin et al. 2011).

As mentioned previously, a broad political majority and the Ministry of Agriculture saw organic farming as an instrument for developing the Danish food market to cater for consumers with preferences for sustainable food. Right from the initial phases, the Danish organic food and farming policy therefore took shape as an active market-development policy (Schvartzman 2012). The Act of Organic Farming, mentioned earlier, was based on two main pillars. On the supply-side, subsidies were provided to ease farm conversion directly through conversion subsidies for farmers and indirectly through government-sponsored research and development activities as well as support for organic farm extension services. Prior to 2004, organic farm subsidies were differentiated between arable and various types of livestock production in order to motivate particular groups of farmers to switch to organic production (Halpin et al. 2011). On the demand-side, funding has been allocated to promote market development by supporting processing, marketing and distribution of organic food (Schvartzman 2012). More specifically, funding has been applied to subsidize product development, develop sales concepts and fund marketing campaigns.

In order to create consumer confidence, the Act also provided the legal framework for the establishment of a government organic certification and labelling scheme. In 1989, the government launched the now widely known red organic label which guarantees that organic products have been checked and approved as organic by Danish government authorities (Geer and Jørgensen 1996). The labelling scheme introduced government inspection of production, marketing, storage, distribution, labelling and retail sales of organic products to assure consumers that the goods they purchase are produced and processed in compliance with the organic standards. The government organic certification and labelling scheme has proved vital as it has generated a high level of consumer confidence in organic food (Sønderkov and Daugbjerg 2011; YouGov 2017).

### Policy evolution

The active market-development policy strategy with its two pillars has remained intact since the organic food policy was introduced in 1987. Government subsidies for motivating farm conversion have continued, and funding for product innovation and marketing activities increased by more than 350 per cent between 1994

and 1996 (Halpin et al. 2011; Schwartzman 2012), highlighting that the 1990s under the political leadership of the Social Democratic Minister of Food, Agriculture and Fisheries, Henrik Dam Kristensen (and later Ritt Bjerregaard) was a period of consolidation of the two-pillar strategy and of policy expansion. In the 2000s, the election of a Liberal and Conservative government led to a temporary setback as government funding for demand-side activities were lowered between 2002 and 2005, but the architecture of the policy remained untouched. Demand-creation initiatives were still implemented, with funding increasingly coming from the Land Tax Foundation (*Promilleafgiftsfonden*) and the Foundation for Organic Agriculture (*Fonden for Økologisk Jordbrug*) (Schvartzman 2008).<sup>2</sup>

Growing domestic and international demand for organic food products in 2006 and 2007 persuaded the Liberal/Conservative government to increase support for market development and marketing (Halpin et al. 2011). In 2009, a government organic cuisine label for public and private food services was introduced. Later that year, the government's Green Growth Agreement (*Aftale om Grøn Vækst*) stated that the area farmed organically should increase from 6 per cent of the utilized agricultural area in 2007 to 15 per cent in 2020. Organic farm subsidies and support for extension services would be increased and more resources would be allocated to export promotion (Daugbjerg 2020).

In the 2010s, there was continued emphasis on facilitating growth in the demand for organic food and on motivating more farmers to convert their production. The Organic Action Plan 2020 (*Økologisk Handlingsplan 2020*) launched in 2012 by the Social Democratic Minister of Food, Agriculture and Fisheries Mette Gjørskov had as its flagship policy measure a scheme that supported increased procurement of organic food in the public sector. It was estimated that if 60 per cent of the meals served in the public sector were organic, an additional 20,000–30,000 hectares of land could be farmed organically. The scheme boosted the public sector's demand for organic food products and increased organic certification of kitchens in public-sector institutions. The policy directions and priorities set out in the Action Plan 2020 and in previous policy decisions were reaffirmed and continued in the subsequent Organic Plan Denmark (*Økologiplan Danmark*) (Daugbjerg 2020; Daugbjerg et al. 2020). To motivate more farmers to farm organically in order to reach the goal of doubling the area farmed organically, a new organic extension service was introduced in 2010. Farmers considering converting to organic production were eligible to a so-called 'conversion check' (*omlægningstjek*) which was free of charge and consisted of an analysis of the likely

<sup>2</sup> The two foundations were established to fund various activities in the agricultural sector (for example, research, advisory services, education and sales promotion). Their revenue sources are land and pesticide taxes. The Minister of Food, Agriculture and Fisheries appoints their governing boards, on which representatives of the agricultural sector form the majority. The foundations are administered by the Agricultural and Food Council.

economic consequences of converting to organic farming as well as professional advice regarding investment in new equipment and new production methods.

In 2018, the Growth Plan for Organics (*Vækstplan for dansk økologi*) was adopted. Similar to the preceding action plans, it maintained the mantra of market-driven development of the organic industry. Funding for organic farm conversion was granted as part of the Agricultural Accord. 130 million Danish *kroner* were allocated to the Foundation for Organic Agriculture to support innovation, marketing, research and development, education, advisory services, etc. for the period 2018–2021 (Daugbjerg 2020).

### Collaborative implementation

To implement the policy, government had to collaborate with interest groups with relevant capacities. Within the Organic Food Council, Organic Denmark played an important role, for instance in relation to shaping the series of action plans which have set the direction for the Danish organic food and farming policy since the mid-1990s. In relation to policy delivery, Organic Denmark has been pivotal in developing capacities to assist the government in implementing the organic food policy measures. The association's success can to a large extent be attributed to its highly qualified political team spearheaded by Paul Holmbeck.

Since farming policy has traditionally been farmer focussed, the government had expertise and an administrative organization for allocating subsidies for organic farmers, research and development activities and organic product innovation (Ingemann 2006). It also had well-established collaborative relationships with the mainstream farmer associations in relation to developing organic advisory services. However, both parties lacked expertise and administrative capacity to implement policy measures aimed at increasing demand for organic food. Growth in the consumption of organic food requires extensive marketing activities and the establishment of stable distribution channels through retailers (Thøgersen 2010). Creating stable distribution channels requires the formation of well-functioning networks among retailers, distributors and processors. To ensure an ongoing flow of organic products that fits the needs in the value chain, both in terms of quantity and quality, food retailers, food manufacturers, wholesalers and farmers have to coordinate expectations and develop long-term strategies. Since government lacked capacities for marketing of organic produce and consumer communication, it had to rely on private actors to coordinate sales promotion activities with retailers (Schvartzman 2012).

Competition law prohibited government from collaborating directly with retailers in relation to marketing and consequently could not generate its own administrative capacities in relation to organic marketing (Schvartzman 2012). The Organic Service Centre (OSC), which the NAOF had established, filled this gap.

The basic idea of the Centre was to perform as 'the farmers' extended arm to the consumer and to retailers' (Halpin et al. 2011: 160). In 1995, the OSC was engaged in activities such as in-store demonstrations, answering consumer enquiries, conducting analyses of retailers' needs and attitudes to organic products, preparing product-information material, organizing open farm days, participating in food fairs and exhibitions and handling media contacts. A highly prioritized aim was strengthening relations with retailers. The OSC's activities were funded by fees for services and government subsidies for information campaigns. A project department, fully funded by government subsidies, was established within the OSC.

In 1999, the OSC was strongly criticized by Flemming Duus Mathiesen, who had been a key figure in designing the organic food policy in the 1980s and chaired the Organic Food Council, for not doing enough in relation to marketing, in particular with regard to marketing of organic dairy products (Schvartzman 2008, 2012). Such criticism coming from him could not be ignored and as a response the OSC launched a government-funded marketing campaign targeted at organic dairy products and a campaign for organic produce in general. In the late 1990s, the OSC established a marketing department which developed considerable expertise in marketing organic food. Moreover, it obtained important experience in facilitating coordination between processors and distributors and in engaging directly with retailers in sales campaigns focussed on specific organic products. The activities of the department were funded by government project grants or by funding granted by the Land Tax Foundation or the Foundation for Organic Agriculture (Schvartzman 2008).

These strong coordination activities undertaken by OSC and later by Organic Denmark were a significant factor in promoting sales of organic products on a large scale. Importantly, these activities brought together and created trust amongst the market actors who were essential for growing the organic market. Furthermore, they played an important role in engaging the large retailers in marketing and promoting sales of organic products and also helped processors to adjust their products towards consumer preferences (Schvartzman 2012).

The programme to increase procurement of organic food products in public-sector kitchens, introduced in 2012, moved Danish organic food policy into new territory. It became clear quite early in the programme design phase that food wholesalers were pivotal for the programme to succeed. It was essential that food wholesalers would offer organic food products to the kitchens, which most of them did not at that time. To engage them, the Danish Veterinary and Food Administration, which was responsible for implementing the programme, to a considerable extent relied on Organic Denmark's experiences in working with market actors obtained from engaging with food retailers over a number of years. The association used its market coordination expertise in a similar fashion in relation to ensuring that the food products which wholesalers wanted to market could be supplied.

It also helped them introduce administrative tools to calculate organic shares for their public- and private-sector customers certified under the organic cuisine label (Daugbjerg 2020).

Staying relevant is a key factor for policy endurance. Policies not adjusted over time to adapt to new challenges to which policy is expected to respond can become irrelevant and even collapse. For policy to endure, government must make changes at the instrumental level of policy or recalibrate policy instruments to maintain the idea underpinning policy (Daugbjerg and Kay 2020). Since the inception of the organic food policy in 1987, it has rested on the idea that expansion of the organic farming and food sector should be market driven, meaning that demand should drive expansion of production. Further, the architecture of the policy—a two-pillar structure consisting of a balanced set of demand-side and supply-side policy measures—has been sustained.

To address challenges such as stagnant or sluggish growth in demand or insufficient farm conversion, introduction of new policy instruments or recalibration of existing ones has taken place. For example, to reach the objective of doubling the area farmed organically agreed in 2009, demand for organic produce needed a boost to persuade more farmers to convert to organic production. As already discussed, this resulted in the introduction of a set of policy instruments directed at increasing the procurement of organic food within the public sector (Daugbjerg 2020). Though the policy trajectory is marked by a series of adjustments, these have not affected the policy's overall coherence.

While some adjustments have been ad hoc, larger policy revisions and expansions have had a more institutionalized nature in the form of periodic action plans that have launched new initiatives spelt out as a set of measures to be adopted. So far, five action plans have been implemented—in 1995, 1999, 2012, 2015 and 2018. The first four were adopted under Social Democratic ministers of food, agriculture and fisheries eager to promote the organic food sector. Inputs from the organic interest associations as well as from within government formed the basis for the plans. The last mentioned action plan of 2018 was adopted by the Liberal Minister of Environment and Food and dubbed a growth plan. Unlike the previous plans, it was based on the recommendations of an ad hoc committee consisting of individuals with organic industry expertise (the organic Business team).

### **Fledgling Counternarratives**

Denmark is leading globally in organic food sales, which is the key indicator for programmatic success. Organic food consumption is driven mainly by food retail sales (including online outlets). While Denmark does fairly well in the field of organic food procurement in the public sector, it is well behind Sweden. The governments in Denmark, Finland, Norway and Sweden have launched policy

initiatives to increase consumption of organic food within the public sector. In relation to this aspect of promoting organic food consumption, the Danish policy has been less successful. Sweden has been most successful with 39 per cent of the food purchased in the public sector being organic in 2019, while Denmark was at 22 per cent. Finland reached 12 per cent and Norway lagged well behind with only 1 per cent (Ekomatcentrum 2020: 20). While the performance on organic food procurement in the public sector shows that in terms of programmatic success, there are aspects of the Danish organic food policy which have fared less successfully than in Sweden, this does not amount to a counter narrative. Rather, it suggests that there are aspects of policy in which there is room for further development.

As argued earlier, there is broad political support for the organic food and farming policy and expansion of the organic sector in parliament. Furthermore, the mainstream Agricultural and Food Council has long considered organic farming and food as an important interest to represent. However, within the farming community there are some dissenting voices questioning the economic and climate sustainability of organic farming, mostly expressed within the break-away farm group Sustainable Farming (*Bæredygtigt Landbrug*). It is focussed on the economic sustainability of the farming industry, rolling back existing agri-environmental regulations and preventing new ones; hence its name appears misleading (Daugbjerg et al. 2020). Despite the critical attitudes towards organic farming voiced by the group, on its webpage it claims also to represent organic farmers!

It has been difficult for the few dissenting voices to gain a foothold in the policy debate as there has been broad political support for the organic sector. While the political parties to the left fully embraced organic farming right from the early stages, the parties to the right initially saw the organic sector in a market perspective and considered it a niche industry which would cater to only a segment of consumers. Over time, the basis of their support broadened as they now also recognize the contribution of organic farming to sustainable food production, as for instance expressed in the 2015 Agricultural Accord which was agreed by all parties to the right in parliament.

### **Conclusion: The Power of Inclusive Coalition-Building**

The government's original intention was to grow the organic food sector, and this has been accomplished. Denmark has been leading globally in terms of organic food sales for more than two decades. The organic food policy process was set up in a way that integrated the relevant interests in the policy-making process. Amongst these interests, agreement on the basic policy principles emerged in the early phases of the policy trajectory. Importantly, new and unique capacities

were generated to successfully deliver the policy. Finally, there has been a broad political coalition behind the policy and it never developed into an arena of party competition.

The case of government promotion of the organic farming and food industry in Denmark reflects traditional Nordic and Danish ways of making public policy in economic sectors, in particular within the agricultural policy domain (Daugbjerg 1999). Though agricultural associations have lost some of their control over the policy agenda, they still have close relationships with government and are able to influence policy design. This traditional mode of making agricultural policy was copied by the organic food and farming policy sector and successfully combined with policy innovation in terms of the measures which were adopted and how they were implemented.

The Organic Food Council played a key role in the initial phases in which the organic food and farming policy was shaped. A broad range of interests with a stake in the policy is represented in the Council. Importantly, representatives of the conventional and organic farm interests succeeded in defusing a potential ideological conflict between mainstream and organic farm interests. A common paradigmatic platform was agreed in which the development of the organic farm and food sector should be market-driven with government in an active facilitating role. This framework was also important in nurturing collaboration outside the Council.

The innovative aspect of the policy regime relates to the introduction of policy measures which are aimed at growing the demand for organic food in the domestic market and to a new form of policy delivery. In the pre-EU membership era, the responsibility for the implementation of a number of agricultural policy schemes was delegated to the agricultural associations. EU membership implied that implementation responsibilities would lie with the agencies of the then Ministry of Agriculture. The organic food policy reinvigorated policy delivery through an interest association. Organic Denmark came to play a key role in implementing most of the demand-side policy measures. At the same time, the association, aided by government funding, developed unique organic marketing capacities and structures for market coordination, which were key factors in enabling successful implementation.

In the European Commission's *Farm to Fork Strategy*, published in May 2020, organic farming is seen as an important part in the transition to a sustainable food system. Organic farming is the most conceptually and institutionally developed alternative farming system available for a transition to a more sustainable European farm sector and some of the practices can readily be transferred to the conventional farm sector. It was envisioned in the *Farm to Fork Strategy* that the area farmed organically should increase from 8.5 per cent in 2019 to 25 per cent of the farmland in the EU by 2030. It is also suggested that the member states need to stimulate growth of supply and demand for organic food. The success of the Danish organic food policy in doing exactly that makes it an obvious



and proven model to transfer to other member states in the European Union. While the member states already have policy capacities to expand support schemes for organic farm conversion, developing a market by facilitating growth in the demand for organic food would be a challenge for many of the member states. The Danish example of designing innovative policy measures, integrating interests with a stake in the organic food policy domain and generating the capacities needed to deliver demand-side policy measures can serve as an inspiration for policymakers. Of course, the whole policy endeavour depends on a fairly broad and stable political coalition supporting policy expansion.

More generally, this case study suggests that a pathway to policy success goes through innovative thinking in relation to policy models. Innovative policy designs ‘involve reformulations and elaborations of new political visions, goals, strategies and policy programmes that aim to guide the production of public value’ (Sørensen 2017: 6). The study suggests two related critical conditions for designing innovative and effective policies: inclusive coalition building and generation of capacity. Inclusive coalition building must take place at three levels. At the political level, political parties across most of the political spectrum must subscribe to a shared policy paradigm which is politically appealing for parties of different persuasions and at the same time sets the policy direction towards delivering what is broadly considered public value. At the policy-sector level, government authorities and non-government actors with a stake in policy, particularly in relation to policy delivery, must support the policy paradigm and its visions on public value, and engage in policy deliberation and collective decision-making. Finally, at the group level, the leadership must ensure that emerging factions representing beneficiaries of an innovative policy are integrated and accepted as legitimate voices within the group.

Inclusive coalition building is a necessary but not sufficient condition for policy success. Generation of policy capacity is the second critical condition. Broadly defined, policy capacity is ‘the set of skills and resources—or competences and capabilities—necessary to perform policy functions’ (Wu et al. 2015: 166). Bringing together various actors in a coalition must enable activation and pooling of the capacities available within a sector. These must be engaged in a coordinated manner to encourage innovative thinking in relation to policy design and, importantly, to ensure successful policy delivery producing the expected impact. Such coordination would normally be the responsibility of the government authority assigned a leading role in developing and implementing policy.

### Questions for discussion

1. List the components of the policy design that were important for securing policy success in the case study.

2. According to the case, which institutional and political conditions are important for securing policy success?
3. Consider whether the lessons learned from the Danish case of organic food and farming policy are relevant for other policy fields.
4. Are there additional factors that can explain the success of the Danish organic food and farming policy that are not mentioned in the case?
5. Which capacities should non-governmental organizations develop to contribute to successful policy implementation?
6. Which capacities should government officials and politicians possess in order to engage in constructive collaboration with interest groups?

### Links to online resources

<https://www.organic-world.net/index.html>

<https://www.fibl.org/en/themes>

<https://icrofs.dk/en/>

<https://icrofs.dk/en/organic-eprints-an-open-archive-for-organic-research>

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# 3

## The Success of Danish Wind Energy Innovation Policy

### Combining Visionary Politics and Pragmatic Policymaking

*Rinie van Est*

#### The Making of Wind Energy Innovation: Four Connected Policy Stories

Denmark is currently a world leader in the use and market of both onshore and offshore wind energy.<sup>1</sup> Something like that does not happen overnight. Owens (1990: 170) refers back to the 1970s, and states that ‘the global wind power industry was born in Denmark with the release of Vestas’s V10-30kW model in 1979’. While the V10 had a tower height of 18 metres, Vestas in 2020 introduced the V150-4.2 MW, an offshore wind turbine, which is almost ten times that size. In addition to a technical success, wind energy is also an economic success. Today, two of the top five wind turbine manufacturers in the world (Vestas and Siemens Gamesa), the world’s largest wind turbine rotor blade manufacturer (LM Glasfiber) and the world’s largest developer of offshore wind (Ørsted), are located in Denmark. In 2018 the wind industry provided 35,400 direct and indirect jobs (Statista 2020). Denmark itself also makes extensive use of wind power: in 2019 it broke the world record by generating 47 per cent of its electricity consumption through wind energy.

This chapter attempts to unravel the emergence and elements of the Danish wind energy innovation success, and more specifically the role that public policy has played in this. Innovation is a sociotechnical process which requires

<sup>1</sup> This chapter is largely based on material from my book *Winds of Change* (Est 1999), which focuses on the development of wind energy innovation policy in Denmark and California in the period from 1970 to the early 1990s. Important sources from that book are used in this chapter. Other sources have been used for the period after 1990. The author would also like to thank Brynhildur Davíðsdóttir, Caroline de la Porte, Daniel Nohrstedt and Paul ‘t Hart for their insightful and constructive commentary on earlier versions of this chapter.

both technical and social innovation (including societal momentum and socio-cultural, economic and legal embedding), and politics and policy can play a crucial enabling role in both (Mazzucato 2013). That is certainly the case with wind energy innovation in Denmark.

It is important to recognize that the development of wind energy affects various policy areas and vice versa. First of all, wind energy is embedded in energy and environmental policy, including climate policy. Wind energy also requires research and development (R&D) policies that provide continuous incentives to perform R&D and to invest in it. Wind energy innovation is also about building and expanding a wind energy industry, which consists of wind turbine builders and wind farm developers, as well as engineering firms, banks and insurance companies. Finally, spatial planning and siting of wind turbines or farms are crucial to ensure local social acceptance.

Since the success of wind energy innovation policy depends on the operation of these four policy areas and their integration, this chapter unpacks the larger story of the making of wind energy innovation in Denmark by telling four public policy stories that in combination provide insight into Denmark's remarkable ascendancy in this domain. The first story is about integration of wind energy and energy policy, and demonstrates how generations of Danish policymakers have been able to constantly renew and uphold a visionary, political consensus over a very long period of time. The second story focuses on the political battle that has been fought to make wind turbine technology an integral part of the electricity grid. The third story is about the dynamics of the industry politics of wind energy and describes the policy for developing a domestic market as well as for taking advantage of foreign markets. The fourth story involves the precarious planning and siting of wind turbines as part of the broader challenge to obtain and maintain social (national and local) support for wind energy. Each of the stories traverses fifty years, and so I will focus on certain key issues and episodes that shed light on how public policymakers, in interaction with other stakeholders, navigated challenges in ways that brought the sector to where it is today—one of Denmark's most compelling export products.

By taking a broad look at the development of Danish wind energy over the past five decades, we get a good picture of the various enabling and regulatory roles that public authorities played in nurturing this widely celebrated successful innovative industry. But I will begin by arguing why the Danish wind energy innovation policy can be considered such a major instance of successful public governance.

### **A Policy Success?**

I use the PPPE assessment framework employed throughout this volume to describe the elements of Danish success in wind energy innovation policy. That

framework distinguishes between programmatic success (purposeful and valued action), process success (thoughtful and effective policy-making practices), political success (many winners, firm supporters and reputational benefits) and success over time (consolidation and endurance).

### Programmatic success

The PPE framework assumes that a well-developed public value proposition and theory of change that underpins a policy can contribute to its success. In the field of wind energy innovation, the initially dominant assumptions of politicians and policymakers in the 1970s about energy policy, R&D policy and industrial policy later turned out to be unfounded. Triggered by the 1973 oil crisis, politicians initially opted for nuclear energy as the most important future source of energy. In response, the anti-nuclear energy movement developed that drew attention to alternative energy sources, including wind energy, and started developing them actively. At the time, wind energy was considered a supplementary option within the Danish energy policy mix. Policymakers did, however, envision the development of large utility wind turbines to be built by large Danish companies, and in addition a small part of the wind energy innovation policy was aimed at small firms building small and medium-sized wind turbines for private individuals and cooperatives.

During the 1980s, this initially modest effort grew into a social, political, technological and industrial success. That success was driven by three principles. In terms of wind turbine technology, the emerging industry opted for what is now known as the ‘Danish concept’ of wind generation. The requisite technology worked in practice and turned out to be relatively simple, robust and scalable. This early achievement of a proven and certified technology enabled the Danish small wind turbine industry to conquer major markets by storm, such as California, during the early and mid-1980s. Secondly, the principle of citizen ownership of wind turbines had broad political support and considerably strengthened local societal acceptance of wind energy. The third principle was that the home market was to be used as a springboard for building export power, which is indeed what happened.

Interestingly enough, in the early 1990s the unexpected success of bottom-up wind energy innovation, coupled with the climate crisis, made it possible to take a clear political, technological and industrial course. Since the 1992’s Energy 2000 plan, Danish energy policy has focused on making the energy system more sustainable, and wind energy came to be seen as a pivotal building block for achieving this. The maturing of wind energy technology and industry in the second half of the eighties meant that the original vision of policymakers in the seventies—developing large utility turbines—could then really be implemented.

The development of offshore wind turbine parks and offshore wind industry in particular became a new goal. The political choice to stop building new coal-fired power stations and to focus on the large-scale use of variable energy sources, such as wind energy, also led to the decision to convert the electricity network from a one-way system (distribution only) to a two-way system (both distribution and collection of power) and gradually increase the flexibility of the energy system. As a result, the Danes are currently also at the forefront in making their national electricity grid more flexible in order to make it more sustainable.

### Process success

The PPPE framework suggests, among other things, that sufficient funding, administrative capacity and involvement of experts and stakeholders are necessary to arrive at a successful mix of policy instruments. The incorporation of alternative energy into energy policy in the course of the 1970s and 1980s has been decisive for wind energy innovation policy. Danish politicians and citizens were open to the voice of the anti-nuclear movement and the related alternative energy movement. Policy development unfolded along a corporatist script, in which the state tended to acknowledge, invite and be responsive to the positions of various societal organizations and interest groups. Accordingly, there was a rapid institutionalization of new types of societal interests during the second half of the 1970s. The renewable energy movement (OVE), the wind turbine owners (DV) and the emerging wind industry (DVF) organized the political support for wind energy and together formed a political opposition towards the electricity sector (DEF)—and government gave them seats at the policy-design table.

This led to a dual track policy in terms of both R&D policy and industrial policy: one aimed at developing large utility wind turbines to be produced by large Danish companies, the other aimed at developing small and medium-sized wind turbines, to be produced by small Danish companies and to be owned by individuals and cooperatives. As in various other countries, in the early 1980s, the strategy to develop large utility wind turbines was dominant but met with little success. But the other policy track was successful, and its success made it possible that in the early 1990s—when a world leading wind turbine industry had already formed in Denmark—to supersede the R&D and industrial policy by a one-track policy focused on the further development of ever larger on—and offshore wind turbines.

It is important to note that there have also been several times when a break with the corporatist style of consultation-driven policymaking was crucial to the success of the wind energy innovation policy. For example, the utilities were deliberately excluded from the development of the Energy 2000 policy plan, which has determined the course of the sustainable energy policy of the past three decades.



## Political success and endurance

From the mid-1970s, the initially marginal policy strategy to develop small or medium-sized privately-owned wind turbines that was promoted by OVE, DV, and DVE, was accepted by most political parties as a so-called *folkelig* development (coming from the people), and—under political pressure—tolerated by the electricity sector. The early economic success of the wind turbine industry ensured that wind energy received stable support from both the left and the right of Danish politics. As Niels Frederik Malskær, from the Danish energy ministry, explains the success of (wind) energy (innovation) policy: ‘For four decades, the government has been going more or less in the same direction. Different governments have shown a willingness to compromise on energy policies, which has put us in a leading position’ (quoted in [Franssen 2021](#): 12–13).

The long-term broad (though not universal) social support for wind energy has its origin in the fact that the initial market consisted of wind turbines owned by individuals or cooperatives, which humanized it and made it palatable. Social support for wind energy is rooted in the perception of wind as a green energy source, that provides jobs, and that many thousands of Danes co-own the wind turbines.

The electricity sector has always been somewhat opposed to the development of wind energy, often from their perception that the power grid would not be able to handle a large share of wind energy. At the same time, under political pressure it has always taken up this technical challenge of integrating large amounts of wind power into the electricity grid, and has met with great success in doing so. As a result, the Danish utilities are currently worldwide at the forefront with regard to making the electricity grid more flexible and sustainable. For example, in 2020 onshore and offshore wind turbines produced just over 46 per cent of Denmark’s consumption of electricity.

The overall success certainly does not mean that the development of wind energy in Denmark evolved without struggles or setbacks. There were moments of crisis when things could have gone downhill. Long-term success of policy, however, mainly depends on how various actors have dealt with those crises and whether they have managed to bounce back from setbacks. Further on in the chapter, the ups and downs of Danish wind energy innovation are described on the basis of four related policy stories, which are respectively about energy policy, R&D policy, industrial policy and planning and siting policy.

### **Policy Story #1: Visionary Energy Politics**

#### Responding to the energy crisis: Going nuclear

The oil crises of the 1970s forced Denmark to rethink its energy policy. When oil prices accelerated after October 1973, more than 90 per cent of its energy supply

came from imported oil. The crisis turned energy dependence into a top priority issue. In 1976, the [Ministry of Trade \(1976\)](#) produced a national energy plan that stressed the need to reduce Denmark's oil dependency by saving energy and by speeding up the development and use of other energy sources. In the short term, this implied a fuel shift from oil to coal. For the longer term, the Social Democratic government was fully committed to nuclear energy. Its ambition was that by 1995 two-thirds of electricity would come from nuclear energy, and about 4 per cent from renewable resources, in particular wind energy produced by large wind turbines.

In taking this direction, the government closely followed the vision of the Association of Danish Electric Utilities (Danske Elværkers Forening, DEF), who saw nuclear energy as the only realistic alternative to fossil fuels. In late 1973 Elsam, the Jutland-based electricity company, had published a list of 10 potential sites for nuclear power plants, and the day after the Organization for Information about Nuclear Power (Organisationen til Oplysning om Atomkraft, OOA) was founded to educate the public about their dangers and drawbacks. This initiative was taken by amongst others the folk high schools and the environmental organization NOAH. NOAH took its name from the existing student organization NOA, an acronym of 'Naturhistoriske Onsdags Aftener' ('Natural Historical Wednesday Evenings'), which had existed since 1911. Since NOAH was founded in 1969 by natural science students in Copenhagen, it had stimulated public debate around economic growth, environmental issues, democratization and decentralization. The ecological awareness that was raised by these debates, and the fact that OOA did not identify with any political party, allowed a rapid growth of the anti-nuclear movement ([Jamison and Læssøe 1990](#)).

### Making room for new alternatives

Although the national energy plan met with much resistance, the government initially refused to work out an alternative energy scenario. Outside parliament, eight socially committed scientists developed an alternative energy plan (*AE-Plan 83*) to broaden the information basis upon which the parliament made its decisions. The AE-plan was published by OOA and the Organization for Renewable Energy (Organisationen for Vedvarende Energi, OVE), a subgroup within OOA, which concentrated on the development of practical alternatives to nuclear power.

The AE-plan was cleverly framed by adopting the government's primary purpose—reducing oil dependency—and by linking it with some major challenges, such as unemployment and foreign-exchange problems. It questioned the economics of nuclear energy, and emphasized 'the long range of unsolved problems connected with the storage of radioactive waste, military protection of nuclear plants and waste transports, the misuse of radioactive material ...' ([Blegaa et al. 1976](#): 8). Instead, it advocated for a strong effort to save energy, and the

development of decentralized cogeneration plants running on natural gas and renewable energy sources. Gathered in 15 parks, fifteen hundred 1.25-megawatt wind turbines were envisioned, which could cover 12 per cent of electricity production in 1995 (ibid: 55). The scientists argued that their plan would lead to ‘a more robust and secure energy system, fewer limitations on physical planning, higher savings of foreign currency, and more Danish jobs’ (ibid: 24). At the end of 1976, the popularity of the anti-nuclear energy movement and the presence of an alternative vision caused the government to postpone its nuclear option.

In 1979 the second oil crisis led to the establishment of a separate Ministry of Energy tasked with designing a new energy policy. At that time, natural gas extraction had become an option, and the parliament approved the implementation of gas projects in the North Sea (the production of North Sea oil and gas would allow Denmark to become self-sufficient in 1997). By the end of the decade also the AE-plan had become central to OOA’s campaign, ‘Make plans without nuclear power’, which received massive public support. The government’s *Energy Plan 81* contained all kinds of elements and proposals from the AE-plan: besides emphasizing the permanent need for energy savings, the plan wanted ‘a maximum development with decentralized cogeneration plants’ and ‘a stronger accent on renewable energy sources’ (Ministry of Energy 1981: 8). With respect to wind energy, the government aimed at ‘60,000 small wind turbines’, which would supply about 8.5 per cent of electricity consumption in 2000 (ibid. 166–167).

The *Energy Plan 81* contained two scenarios, one with and without nuclear. The nuclear option was finally cancelled in 1985 (cf. Wistoft et al. 1992: 191). By that time, gas exploration in the North Sea by the state-owned company Dansk Olie og Naturgas A/S (DONG) had already started and the Danish wind turbine industry had also developed considerably as a result of a growing domestic market and in particular its leading position in the California export market by then (discussed later in the chapter). Moreover, the economic export success of the Danish wind turbine industry ensured that right-wing parties also became supporters of wind energy. Thirdly, the Danish government had decided that nuclear energy could only be an option if a good solution could be found for the long-term management of radioactive waste. The Danish electricity companies Elsam and Elkraft had studied the suitability of six salt domes in 1979 and 1980. One option seemed promising, but drillings showed that that option was not suitable for the disposal of radioactive waste either (Bannink 2014), further compromising the case for nuclear energy.

### Responding to the climate crisis: Towards sustainable energy policy

Between 1982 and 1993, four consecutive minority coalition governments were led by the Conservative Prime Minister, Poul Schlüter. By 1986 Liberal Energy

Minister, Erik Hovmand announced that a broad consensus had been reached concerning the development of the electricity system throughout the 1990s: the future electricity system would mainly consist of decentralized cogeneration plants and new, large, coal-fired power stations. This consensus was strongly supported by the electricity sector and was driven mainly by economic reasoning. When just a year later the Brundtland report (Brundtland 1987) appeared, with its focus on sustainability from the point of view of the rights of future generations, it put a bombshell under this so-called consensus. Ever since, climate change reasoning has played a central role in the Danish energy debate and policymaking process.

This was first reflected in a 1990 policy plan entitled *Energy 2000*. It aimed at stabilizing CO<sub>2</sub> emissions by 2000 and reducing them by 20 per cent within 15 years. It was initiated by Energy Minister Jens Bilgrav-Nielsen, a member of the Radikale Venstre (social-liberal) party. To design it, he had given a free hand to Jørgen Nørgård—one of the scientists behind the *Alternative Energy Plan 1983*, which represented a more radical sequel to the *AE-plan 1976* and depicted a sustainable energy system in Denmark after the year 2030 consisting of thousands of small renewable energy plants (Hvelplund et al. 1983). Back then, the 1983 version of the AE-plan had been dismissed by the government and the utilities as completely unrealistic, but in 1990 it provided the ideational basis for the *Energy 2000* plan, popularly known as the ‘Green Plan’. Written without any involvement from the utilities, it envisioned a combination of energy conservation, decentralized cogeneration plants, and the enhanced utilization of cleaner energy sources such as natural gas, biomass, wind energy and other renewables, while putting a stop to the development of new coal-fired plants (Ministry of Energy 1990).

The plan gave energy policy and renewable energy (including wind power) in particular, a new long-term rationale, which is still current today: curbing global warming. The use of wind energy fitted within both the central policy goal since the energy crises—increasing national energy independence—and the new climate goal. This was no longer evident for the use of fossil fuels, such as gas, oil and coal. The Green Plan set a goal of 10 per cent of electricity consumption to be covered by 1,500 MW of wind power by 2005. In 1996, the new *Energy 21* plan further upped the ambition, reaching for 4,000 MW offshore wind power within 2030, and no less than 50 per cent of Danish electricity needs in 2030 to be provided by wind power (Ministry of Environment and Energy 1996). The climate-oriented energy policy that was first implemented in 1990 was elaborated and expanded in the twenty-first century. In 2007’s *A visionary Danish energy policy 2025* issued by the Danish Energy Authority, the government committed itself to eradicating the use of fossil fuels altogether. The electricity sector, however, was vehemently opposed. For example, DONG’s CEO Anders Eldrup saw the strategy as ‘a big mistake’ and argued, ‘Wind energy can’t solve the energy problem in the near future because it’s too unstable and possibly too expensive’ (Utility Week 2007). Politicians, however,

took little notice of this criticism. The 2012 Energy Agreement ([Danish Energy Agency 2012](#)) aimed at 100 per cent renewable energy in 2050 (50% from wind turbines), and was underwritten by a broad spectrum of parties.

## Policy Story #2: Good Technology Just Works

Big is beautiful ...

When interest in wind energy grew in the 1970s, the Danes could make use of the pioneering work of Johannes Juul in the 1940s and 50s. After the Second World War, the power company SEAS had authorized Juul's proposal for a research programme that aimed 'to construct an AC wind turbine that could directly deliver electricity to the power grid' ([SEAS 1987](#): 71). After a few simple experiments, he found a fatigue-resistant rotor design: a three-blade, passive stall regulated upwind rotor, mounted on a hub by a system of strays and struts. Based on this design the 200-kW Gedser wind turbine, nicknamed 'Oliemøllen' (the oil mill), was built and put into use in 1957. This effort was part of an international programme which aimed to develop a turbine design that would support a modern, electricity-producing wind power plant. In the early 1960s, this research had been stopped because the electricity sector believed that wind power would never be able to compete with steam power, let alone nuclear power.

The oil crisis caused the attention to wind energy to resurface in the 1970s. In 1977 the joint Wind Power Programme of the Ministry of Trade and the Utilities was started ([ATV 1976](#)), and concentrated on developing large grid-connected utility wind turbines with rotor diameters larger than 30 m (80% of the budget), as well as small turbines (smaller than 15 m) for heat production. First, the Gedser mill was refurbished and put to the test. Moreover, it was decided to build two 630 kW wind turbines, the so-called Nibe-turbines, in northern Jutland. The Danes had hoped to buy a ready-made rotor and blades from American firms. The Americans, however, did not want to export their rotor knowledge, while their fiberglass composite blades turned out too expensive ([Grastrup et al. 1977](#)).

Denmark thus had to build its own 40 m diameter rotors, a challenge which no existing Danish company wanted to take up at the time. To ensure that there was a Danish company that could build large utility wind turbines, the Ministry of Energy, together with SEAS, had set up a wind turbine company called Danish Wind Technology in 1981. As a follow-up to the Nibe-turbines this company built on behalf of Elkraft, and at the explicit insistence of the Energy Minister, it set up a wind farm at Masnedø consisting of five Nibe-like 750 kW turbines, this time with full fiberglass composite blades. The Jutland power company Elsam chose to design an up-scaled version of the Nibe B machine, the 2 MW Tjæreborg wind turbine with a 60 m diameter rotor. A consortium was formed to build that wind

turbine. When these two projects were completed in the late eighties, an industry had developed in Denmark that was interested in building utility-sized wind turbines.

### ... Versus bottom-up is beautiful

Johannes Juul's formative work also provided the technological basis for the small wind turbine efforts of wind power pioneers like Christian Riisager, Henrik Stiesdal and Karl Erik Jørgensen. The last two would produce Vestas's V-10, a product that signalled the birth of the global wind power industry (Owens 2019: 170). The grassroots alternative energy movement and small firms played a role in this development, taking a design-by-experience approach that fit the tradition within small Danish companies.

A spectacular example of the activities of the alternative energy movement is the construction of a 53-metre high, 2 MW wind turbine at the Maoist Tvind folk high school in Jutland in 1975. The idea of cooperating in this large-scale grassroots project gained great sympathy within the Danish population. Various engineers joined the initiative by designing the basic components. Tvind was part of a broader movement to develop alternative images and technologies for nuclear energy. As part of OOA, OVE represented that movement. OVE believed that it was not sufficient to rely on public research and energy policy, but held that people themselves should get involved in the development of alternatives to nuclear power.

Along with a number of progressive folk high schools, OVE disseminated information about how to use renewable energy systems, and organized Wind Meetings for amateurs and entrepreneurial builders. The early turbines had many technical defects, like damaged gearboxes, burned generators and broken blades, but the Wind Meetings strengthened the much-needed learning capacity in this young industry. At a meeting in 1978, for example, windmill owners and entrepreneurs concluded that a 'safe' wind turbine needed to have a double brake system (Karnøe 1993: 79). This redundant braking system later turned out to be one of the great advantages of Danish wind turbine technology, because it ensured that the turbine would not break down if something went wrong (Gipe 1995: 59).

From 1978 onwards, the Test Station for Smaller Wind Turbines—a government facility that at the time was part of the national atomic research institute at Risø—played a central role in strengthening the technical learning capacity of the emerging industry. The Station tested small wind turbines in—and outside Risø, and acted as a consultant for the manufacturers (Danish Energy Agency 1979). Initially, the wind industry and Risø cooperated on a voluntary basis. From 1979 onwards commercial wind turbines had to be approved by the Test Station, which made it 'the common test, consultancy, and R&D department for the whole industry' (Jørgensen and Karnøe 1995: 67).

In the emerging market one particular technological concept was chosen, the so-called Juul/Riisager design or Danish concept: ‘the horizontal axis wind turbines, equipped with a three-bladed upwind [stall-controlled] rotor, a grid-connected induction generator, and an active yawing system’ (Madsen et al. 1990: 15). The three firms (Bonus, Nordtank and Vestas) that would dominate the Danish wind industry in the 1980s chose this design because of its simplicity, the availability of some crucial standard components (fiberglass blades, electronic control system, gear and generator), and because there were already some of these types of turbines operating on the market.

During the 1980s, the companies gradually built larger turbines. When in the late 80s wind turbines were getting taller—with hub heights of 40 m—their design-by-experience approach was no longer sufficient. A science-based approach—typical for large engineering companies—was needed to make such large windmills. To get that done, manufacturers set up internal R&D departments. Moreover, they encouraged the Danish government in 1988 to issue a new certification system based on internationally accepted standards and codes of practice.

### Towards a two-way grid

Ever since the 1970s the utilities feared the scenario of hundreds of decentral small grid-connected wind turbines disrupting their grids, and driven by this fear they assumed that wind energy could not supply more than a few per cent of the electricity. Today, however, Denmark gets about 50 per cent of its electricity from wind energy, a variable energy source. This is only possible due to major modifications to the power grid and the entire electricity system.

The battle for connecting wind turbines to the grid started in a small and innocent way. Based on Juul’s research, early hobbyist and later entrepreneur Christian Riisager, built an electricity-generating windmill and connected it to the grid in 1975, without permission. In fact, regulations and technical requirements for doing so were non-existent. His experiment received a lot of media attention, and prompted the Association of Danish Electric Utilities (DEF) to set up rules for connecting wind turbines to the electricity grid and for paying the wind power supplied.

Despite this official policy, however, most wind turbine owners did not get paid for the electricity they delivered to the grid. In May 1978, dissatisfaction with this situation led to the founding of the Association of Danish Wind Turbine Owners (DV). These primarily idealist but also critical buyers had created a small market of some hundred turbines, which enabled a small wind turbine (component) industry to arise. These small firms formed the Association of Danish Wind Turbine Manufacturers (FDV), to promote their interests within the Danish parliament. Stimulated by DV, FDV and the parliament, the Minister of Trade threatened

to legislate if the DEF itself would not come up with fairer new rules for both individual and cooperatively owned wind turbines. And that's what happened.

In the early 1990s, this discussion was revived and resolved by politicians. Again the utilities wanted to have the possibility of disconnecting private wind turbines and wanted a discussion about who should pay for the grid-connection costs. A political agreement in 1992 held that the utilities had to pay for the costs for strengthening the grid. The fundamental argument was that the grid should no longer be solely conceived as a distribution grid, but also as an effective collection grid (DEF 1992: 12). This made Denmark perhaps the first country in the world to abandon the traditional one-way grid, where electricity only travelled from the point of generation (power plants located far from residential areas) to the point of consumption (cities and homes), and embrace the notion of two-way grid. In most countries this discussion has only been had in recent years.

In order to integrate an ever-increasing share of wind power, Denmark has increased the flexibility of its power grid. At the turn of the century, an EU-supported move to a market-based power system accelerated this development. Currently, market-based power exchange with neighbouring countries, like Norway, Sweden and Germany, provides the most flexibility (Kofoed-Wiuff et al. 2015). Because of the flexibility provided by interconnectors to neighbouring countries, Denmark is able to sell electricity during times of high wind production, and import it in times of low wind production. Besides, Denmark's strategy has been to exploit the flexibility potential of its own existing electricity system, like increasing the flexibility of conventional power plants and combined heat and power (CHP) plants (Wang et al. 2017).

### **Policy Story #3: A Home Market Serving the Foreign Market**

#### **A dual-track industrial strategy**

I have already described the government's 1981 move to set up a new company to build the large-scale turbines that none of the existing companies wanted to undertake. The other leg of its wind industry policy was initiated in 1979 and aimed to boost industry capacity for the serial production of small wind turbines. In the autumn of that year a 30 per cent renewable investment subsidy came into force. To ensure that the money would be well spent, it was decided that a type approval by the Test Station was obligatory to qualify for the subsidy. As described in the previous section, that same year, DEF announced, under political duress, grid connection rules for both individual and cooperatively owned wind turbines. The latter type received strong political and public support since they were seen as coming from the people, and (thus) as being beneficial to the people. This turned out to be a good move, because from 1980 onwards the vast majority of



wind turbines sold in Denmark were bought by small local cooperatives typically consisting of some 10 to 30 families.

In the two years that followed some 200 wind turbines were sold per year. Due to its success, this second industrial strategy would be taken more and more seriously politically. This became clear in the *Energy Plan 81*, which, as already described, aimed at ‘60.000 small wind turbines’ in 2000. This meant that in addition to the previously dominant R&D and industrial policy related to utility wind turbines, the Danish government developed a policy of market and export stimulation devoted to the development of the emerging industry, which made small wind turbines at the time.

At the end of 1981, two huge November storms destroyed 2 per cent of these turbines. This led to bad publicity, trust evaporated, and the Danish home market halved in early 1982. Exports became an imperative for the fledgling industry. Stimulated by the wind turbine manufacturers that wanted to increase their turnover, the Technology Council of the Ministry of Industry subsidized FDV to examine the American market. The California market in particular seemed very attractive, due to good wind conditions and very favourable investment opportunities created by the Federal and California government. As a result of the study, sales representatives from various Danish manufacturers flew to California, and exports to California took off (Karnøe 1991: 216). In the following years, exports to California boomed, completely outpacing the home market. At its peak in 1985, almost 3,500 wind turbines were shipped overseas.

### A dual-track home-market development strategy

After it came to power in September 1982, the right-wing government announced that it would continue the Energy Plan 81, but that it would abolish the electricity tax, and it would reassess the contribution of renewable energy sources. The success of exports to California, however, changed the right-wing Four-Leaf Clover government into a new ally of the wind industry (Karnøe 1991: 301). In 1983, it agreed, therefore, with the Socialist People’s Party that argued that ‘a stable home market is the alpha and omega’ (Folketingstidende 1982–1983). To maintain the size of the home market, the right-wing government exempted wind turbine owners from taxes on electricity they bought from the grid to the extent of their turbines’ electricity production. The so-called 1984 agreement between DV, FDV and DEF (see the next section) combined with the investment subsidy and tax exempt, led to a strong growth of the Danish home market—the so-called Danish boom. In fact, the new set of regulations and rules had also made wind turbine parks profitable investment projects for institutions and municipalities, this to the dismay of the Association of Danish Electric Utilities (DEF), who complained that the projects threatened the stability of the power grid.

At the end of 1985, secret negotiations between DEF and the Conservative government led to a new regulatory mix, with more restrictive rules for subsidies for wind energy (Karnøe 1991: 7 and 231). In return, the Ministry of Energy forced the utilities to install 100 MW of wind power capacity between 1986 and 1990. This so-called 100 MW-agreement was meant to secure a stable home market. In essence, this mix of stimulating the home market by on the one hand stimulating wind turbines with local attachment, and on the other hand obliging utilities to set up wind farms for a certain substantial amount of MW, has continued to exist. Buen (2006: 3890) concludes that 'policy instruments to stimulate wind power and the development of the wind industry have been gradually—if not always smoothly—removed in line with cost reductions and maturity of the industry'.

To stimulate the private and cooperative wind turbine market, investment subsidies were gradually removed during the 1980s; production subsidies (deduction of electricity and/or carbon tax) were maintained until 2000; guaranteed grid connection and a specified feed-in-tariff for green energies (of 84% of the utility's production and distribution costs) have been maintained; and the scope for tax exemptions related to co-operative or individual wind turbine ownership has been gradually increased (*ibid.*). To stimulate the market for utility turbines long-term agreements between the government and power companies were deployed regularly. After the first 100 MW agreement in 1986, for example, the second 100-MW agreement was concluded in 1991, a 200 MW agreement in 1996, and three years later it was agreed that 750MW offshore wind power would be installed before 2008. Finally, in 2008 an agreement was made that 400 MW offshore wind turbine capacity should be operational by the end of 2012.

### Responding to an industry crisis: Towards integrated industrial policy

When in 1988, the export to California hit bottom, almost all Danish wind turbine manufacturers went bankrupt. How had that been possible? A FDV evaluator described the California experience as 'a heroic technological success', but also as 'a devastating financial failure' (Kjær 1988: 16). Danish exports to California had begun in 1983 with the well-tested 55-kW turbine, which was upgraded to a 65-kW machine. These turbines were certified by Risø and had a proven public track record, since the Association of Danish Wind Turbine Owners (DV) had published in their magazine, *Naturlig Energi*, the performance of the different types of turbines measured by their members.

For several reasons the Californian wind farm developers wanted larger turbines, which started a fierce competition based on technological competence among Danish firms. Within this competition, the older firms were rushed by the

newcomers, whose strategy it was to leapfrog their competitors by combining the best available technology to introduce new and larger turbines. The existence of a 'public', simple and solid design, as well as the availability of free advice from the Test Station, enabled the new firms to do this. This open and cooperative R&D and industrial strategy had ensured the rapid development of reliable technology in the Danish market, which was not really competitive because the different manufacturers mainly sold wind turbines in their own region. But when the Danish companies started to compete with each other in the California market, this open strategy proved disastrous from a financial point of view. It caused the turbines to become financially obsolete so rapidly that even turbines that had been on the market for just one year could no longer make money. Manufacturers tried to counter this by switching from batch to series production, but that turned out not to be enough either.

When most Danish firms went bankrupt, some feared the collapse of the total wind turbine industry. This did not happen because political and public support as well as the technological success of the Danish design, all helped to maintain the trust of entrepreneurs and financial institutions in the future profitability of the wind industry. Besides technological progress, many managerial lessons had been learned, like the need to spread marketing efforts over several 'political' export markets.

To restore the trust of the Danish investment community and stimulate new export, a private Wind Turbine Guarantee company (Vindmøllebranches Garanti A/S) was set up with a state guarantee of 750 million Danish kroner. Moreover, as part of the 100 MW agreement, the utilities had agreed to 'optimize the conditions for a broad industrial and technological development in the field of wind energy, among which the development of new prototypes' (Ministry of Energy 1985: 5). This meant that the electricity companies also started to buy their mills from the now developed wind turbine industry, which by then had become able to build larger turbines. Symbolic for this new turn was that Vestas acquired the government-controlled Danish Wind Technology (DWT) in 1989, because of the firm's experience with large wind turbines.

The electricity sector played a key role in the development of offshore wind turbines. In 1989, Elkraft decided to construct the world's first offshore wind farm at Vindeby as part of the first 100-MW agreement 'in order to gain experience in the field of offshore wind turbine installations' (Jespersen 1992: 1). Over the past three decades, offshore wind energy has played an increasingly central role in Danish energy, R&D and industrial policies. For example, in 2019, the Climate Act was passed which aims to reduce CO<sub>2</sub>-emissions by 70 per cent by 2030 and wants to achieve complete energy neutrality by 2050 at the latest. Two so-called green energy islands are central to the implementation of the climate policy, and the related energy policy; one is the Baltic island of Bornholm, the other is an

artificial island to be built in the North Sea. These visionary plans receive broad political support. In February 2021, for example, the Social Democratic government gained a political agreement for the state to take a 51 per cent stake in the £25bn artificial energy island, which is to be built 80 km west of the coast of Jutland, and is expected to be completed in 2033 (Orange 2021).

So once more, Denmark sets firm goals for the future of wind energy, along with a clear plan to implement those goals in practical terms. Danish politicians have the will to do so because their R&D policy and industrial policy have ensured that Denmark now has the industrial capacity to carry out such offshore projects. One of the companies interested in participating in constructing the envisioned artificial energy island is Ørsted. The company is the most important international player in the field of offshore wind energy, of which the Danish state also owns 51 per cent. Ørsted has its origin in the Danish state-owned company Dansk Olie og Naturgas A/S (DONG). In 2017, DONG Energy changed its name into Ørsted, after it had decided to sell off its oil and gas business and fully focus on renewable energy.

#### **Policy Story #4: Citizen Ownership and Societal Acceptance**

##### Ensuring local citizen ownership

The principle of local citizen ownership of wind turbines had broad political support. On the one hand, it provided local social support for wind energy because local citizens could benefit from wind energy. In addition, the electricity sector was in favour because it limited the market for wind energy. As described earlier the 1979 rules by DEF enabled both individuals and cooperatives to connect their wind turbines to the grid. DEF considered these owners as self-suppliers, and prescribed that the owner(s) should live within a distance of 3 kilometres from the turbine, and that the production of the turbine should be linked to the consumption of the owner(s). The Association of Danish Wind Turbine Owners (DV) did not like these restrictions, but the utilities wanted to keep that rule. This changed in 1984 after the Radikale Venstre party proposed a bill that would replace the 3-km rule by the demand that wind turbines should be sited within the supply area of the electricity company that served their owner(s). This political pressure to regulate matters legally quickly produced a ten-year agreement between DV, DVF and DEF. The utilities agreed to pay 35 per cent of the connection costs, on condition that the government would maintain the investment subsidy programme. They also agreed to buy all surplus power at a rate of 85 per cent of the consumer price from cooperative wind turbines, where all owners live in the area of one and the same electricity supply company (DEF 1984).

This so-called 1984-agreement also enabled institutions and municipalities to set up and profit from wind turbine parks, and soon most of the subsidies went to large investors. The government stopped this development by announcing a new set of rules at the end of 1985, which firmly enshrined local attachment: investors had to live within a 10 km radius of the turbine or within the same municipality. Moreover, the expected yearly production should not exceed the owners' prospective yearly consumption. In 1992, the Wind Turbine Law was enacted that reconfirmed and further elaborated this political principle of local attachment.

### Gaining acceptance of large wind parks

As described, the Danish government has been strongly committed to the development of utility wind farms since the mid-1980s via MW agreements. Compared to private or cooperative wind turbines, social support for utility-owned wind farms is less self-evident. Since the early 1990s, the planning and construction of these types of wind parks have regularly met with local resistance, delaying the pace of wind energy uptake (cf. Meyer 1995). The most frequently reported problems were and are visual impacts, noise, and the perceived unfairness of siting processes (cf. Borcha et al. 2020)).

Aware of the danger that concentrated development of wind turbines might undermine social support for wind power, the government took several paths. Firstly, the planning process was strengthened and in addition, more attention was focused on the replacement of older wind turbines with newer taller ones, and the development of offshore wind parks. Secondly, all kinds of standards were established to minimize the social impact associated with larger wind power developments (cf. Valentine 2015: 92). These restrictions stimulated Danish manufacturers to develop less noisy and more elegant turbines (Buen 2006: 3894). A third strategy was to give local citizens a slice of the pie: partial ownership of wind farms. Restrictions on ownership were completely deregulated after 1999—which also opened ownership to commercial actors such as foreign companies, and initiated the commercialization of wind power in Denmark (Bauwens et al. 2016). To stimulate and enable local ownership in a period when both wind turbines and wind turbine parks were getting bigger and bigger, the Danish government implemented (under the Renewable Energy Act 2009) an obligation for wind power developers to offer at least 20 per cent of the ownership to local citizens living within a radius of 4.5 km from the turbine. In addition, a public guarantee fund was established to support the financing of preliminary investigations, planning, etc., by local wind power cooperatives. The loosening of the residence and consumption criteria resulted in new forms of collective citizen ownership (cf. Gorroño-Albizu et al. 2019). The offshore wind cooperative Middelgrunden Vindmøllelaug I/S, for example, has more than 8,000 members spread across

Denmark. As a result of the government policy, citizen ownership has contributed greatly to the public's acceptance of the presence of turbines.

## Conclusions

As has been explained, Danish energy policy underwent a paradigm shift in the 1970s and 1980s under the influence of the oil crises and the climate crisis, and stimulated by the alternative energy movement, which emerged from the anti-nuclear movement. The original policy paradigm, supported by the government and the electricity sector, was aimed at maintaining and developing a centralized electricity system based on fossil and nuclear fuels. The alternative energy movement and the wind turbine industry advocated a decentralized electricity system with a two-way grid based on renewable energy sources. In response to the climate crisis, this sustainable energy policy paradigm became dominant with the introduction of the *Energy 2000* policy plan in 1990.

The special thing about Denmark is that this energy policy paradigm shift had its roots in social, technological and industrial innovations, especially in the field of wind energy, and continues to be driven by them. First, the alternative energy movement not only fought political battles, but was committed to developing wind turbine technology and the social support and home market for it. Second, the dual track policy was described in the field of both R&D policy and industrial policy. From a transition theory perspective (cf. [Grin et al. 2010](#)) one could argue that the Danish government created a political and market niche, which enabled the regulated and restricted development of both the wind turbine technology and small and medium-sized wind turbine firms. This niche stimulation policy alone was insufficient for the development of a strong wind turbine industry. But, as a springboard for export power it turned out to be the basis for the worldwide strength of the Danish wind industry, which coincidentally was made possible by the California market (and therefore the policy there).

These developments created a virtuous trust cycle in which policy, technology, industry and social involvement reinforced each other. The development of a home market of small and medium-sized wind turbines owned by individual citizens or cooperatives generated social support. That home market stimulated a transparent and robust technology development that laid the foundation for the export success and growth of the wind industry. And that in turn generated political support from the left and right. This built-up trust put enough confidence into the system to rebuild the industry after the drama of the California bust. So, when the Danish government opted for the sustainable energy paradigm, it had meanwhile also created a wind industry—a revenue model for the new energy vision—that was considered capable of practically fulfilling an important part of that paradigm's aims.

## Current plans, future challenges

This chapter showed that the evolution of wind energy innovation policy in Denmark is rooted in trial and error, in peaks and troughs, and in particular of not giving up, learning from mistakes and responding intelligently to those mistakes. Once again, built-up trust and stable political vision and political support encourage such a culture of learning. The future will also be full of challenges. History shows that it is about technical, economic and environmental challenges and the obtaining and retention of social and political support. One of the challenges is to make wind turbines, which are generally seen as a renewable energy source, more sustainable. Current wind turbine blades, for example, are made from lightweight plastic composite materials, which are according to [Decker \(2019\)](#) ‘impossible to recycle.’ Locally generated wind energy was one way to reduce Denmark’s dependence on oil, but also led to new dependencies, such as the dependence on various rare earth metals which are used in modern turbines (cf. [Pavel et al. 2017](#)). The large-scale use of wind energy creates a need for grid flexibility, which makes Denmark dependent on the energy production and the electricity networks of neighbouring countries. Finally, since the emergence of utility-owned wind farms in the early 1990s, generating and maintaining local support has been a major challenge. The latest concern is that wind turbine noise has a negative impact on the health of local residents (cf. [Poulsen et al. 2019](#)). The future will show how Denmark will deal with these kinds of known, and yet unknown, challenges.

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# 4

## Early Childhood Education and Care in Denmark

### A Social Investment Success

*Trine P. Larsen and Caroline de la Porte*

#### Introduction

This study examines the success of early childhood education and care policy in Denmark, not only a key pillar in Danish family policy, but also, a remarkable social investment success.<sup>1</sup> Compared to the other Nordics, Denmark was a frontrunner in Early Childhood Education and Care (ECEC), rooted in the 1800s, and with the first comprehensive national legislative framework on ECEC in 1964 (Sipilä 1997; Eydal and Rostgaard 2011; Borchorst 2005). In fact, Danish ECEC is renowned internationally as a flagship for the Nordic welfare model, due to its high volumes of high-quality childcare for the youngest children that is universally available and affordable, with an in-built focus on pedagogy, which enhances children's learning capabilities (Esping-Andersen et al. 2012; Ploug 2012).

What makes Denmark's approach to family policy distinct is the decision to invest heavily in the formal childcare infrastructure for even the youngest children, combined with comparatively long paid parental leave schemes, initially aimed primarily at mothers, notably from the mid-1960s. This contrasts with the other Nordics that invested heavily in parental leave schemes, but less so in the formal childcare for the youngest children (Eydal and Rostgaard 2011; Duvander and Cedstrand, this volume; Arnalds et al. this volume). As a result, Denmark is the leader among the Nordic countries when it comes to childcare provision for children under the age of 3 (Nordic Councils of Ministers 2019). There has also consistently been support for ECEC across the political spectrum and among key stakeholders, especially social partners and parents' organizations (Borchorst 2009). ECEC is not only seen to invest in skills for children—parents would rather

<sup>1</sup> We would like to thank Hanna Kviske for data collection on actors for this chapter.

have their children in childcare than at home—but also to enable both women and men to have gainful employment (Eydal and Rostgaard 2011).

To illuminate how ECEC has developed into such a broad-based success in Denmark, we undertake our analysis by examining the development of ECEC at key moments in time, using the policy success framework. We start with the Danish childcare guarantee, which placed a duty on local governments to provide adequate childcare to assist working parents in 1976, and later, in 2004, extended as a childcare right to all parents (Thorsen 1997). The childcare reforms in 2011 and 2018 are also discussed, as they compelled certain groups of children such as bilingual children and children from socially deprived areas (the Ghetto-list) to attend full-time daycare with financial repercussions for parents failing to adhere to this childcare requirement. We apply the PPPE framework developed in this volume, assessing the Danish ECEC in terms of programmatic, political, policy-making process and endurance success. We argue the Danish ECEC can be regarded as an all-round success, although in recent years, the right to childcare is increasingly tinged by the flavour of the childcare requirement, targeting bilingual children and children from socially deprived areas. What is more, the childcare quality has been challenged during the austerity years, but this has now been rectified with the agreement of minimum staff-to-child ratio in 2019.

The chapter begins by describing the regulatory landscape of Danish ECEC policy, including the key stakeholders, before examining to what extent it can be considered a policy success along the four dimensions of policy success that are central to this volume. Programmatic success is examined by comparing the broad aims of Danish childcare policy and regulation with its implementation. We then examine key stakeholders' approach towards ECEC for children aged 0-3 years to assess its political success, before analysing the features of the policy-making process that continue to contribute to its success. Lastly, we evaluate the endurance of these policies and emerging counterclaims and cracks in the edifice of Danish ECEC. We end by drawing some general conclusions.

### **Context: Key Actors and Regulatory Landscape**

Childcare services are regulated by distinct sets of regulation at different levels of governance, as much service delivery in the Danish welfare state is organized and implemented at the municipal level. It is the individual municipalities that decide on the type of service providers, including their reliance on public-provided and public-procured ECEC as well as cash-for-care schemes/home based care. The central government decides on the regulatory norms (including education level of staff in ECEC, ceiling for childcare fees) and the overall childcare budget, while the 98 local government entities are responsible for the administration and the service delivery (prior to the 2007 amalgamations this task fell to 271 municipalities).

Wages and working conditions of childcare staff are regulated through collective bargaining and labour laws, and pertain to all workers in the sector. The Social Service Act and the Daycare Act outline the overall regulatory framework for service delivery, including the division between central and local government.

The main governmental actors are central government, the individual municipalities and their interest organization KL (Local Government Denmark), representing municipalities collectively in negotiations with central level of government and in collective bargaining with the trade unions BUPL (representing skilled childcare staff) and FOA (representing non-qualified and low-skilled childcare staff). Furthermore, while all political parties support childcare, there is a difference in emphasis between the liberal-leaning parties—Conservative Party (Konservative Folkeparti), the Liberal Party (Venstre), and Danish People’s Party (Dansk Folkeparti)—and the left-leaning parties—the Social Democrats (Socialdemokraterne), the Socialist Party (Socialistisk Folkeparti), the Social Liberals (Radikale Venstre) and the Red–Green Alliance (Enhedslisten). Besides municipalities, political parties and social partners, important players in the childcare arena are the interest organization representing parents (FOLA) and the interest organization of private childcare providers (Danish Industry).

It is within this multi-level policy arena and regulatory system that Danish ECEC policies have developed over the years with shifting left- and right-wing governments in power at central and local levels.

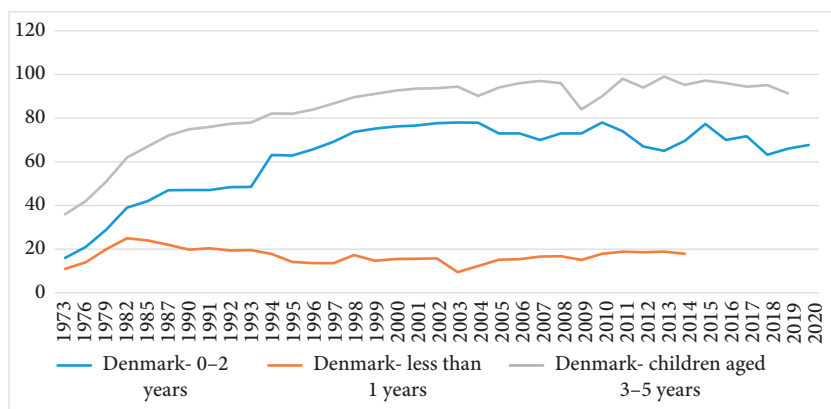
### A Programmatic Success

We start our analysis by assessing whether ECEC can be considered a programmatic success, by comparing the aims of the Danish childcare policy and regulation with outcome. For assessing outcome, we use a range of well-known proxies from the childcare literature, that is, take-up rate, availability, affordability, social inclusion and staff-to-child ratio.

Denmark has invested in high-quality day care for children under the age of 3 for decades. The expenditure has been remarkably stable since 1990. Childcare expenditure was 1.3 per cent of GDP in 1990 compared to 1.7 per cent in 2010 and 1.2 per cent in 2019 (Eurostat 2021). The overarching aims have remained fairly unchanged over the years, with recent legislation listing four broad aims for Danish ECEC. They state that Danish childcare services should:

1. advance children’s well-being and learning;
2. give families the flexibility and options of distinct forms of childcare along with financial support to organize their work–life balance according to their needs;
3. prevent negative social inheritance and social exclusion;

4. ensure that age-appropriate childcare matching children's needs (authors' own translation of the LBK nr 1912 af 06/10/2021:§1).



**Fig. 4.1** Share of children (different ages) attending formal day care as percentage of all children in the age group in Denmark

*Source:* Compiled from Nordic Council of Ministers database, Eurostat database, Statistics Denmark (1973–2021)

Danish ECEC can be considered a programmatic success in delivering on these ambitious aims. Since the early 1970s, the share of children under the age of 3 and even below 1 year attending formal childcare has steadily increased. Recent data (see Figure 4.1) suggests that in 2020, 68 per cent of children under the age of 3 attended formal childcare, most on a full-time basis. The rapid expansion of Danish childcare, notably from the mid-1970s with the introduction of the first childcare guarantee (1976) and subsequently the higher take-up of childcare also seems to have successfully enabled more parents, notably mothers, to continue in paid work during periods of childrearing. In 1970, 43 per cent of mothers with children aged 0–2 years and 49 per cent of mothers with children aged 3–6 years worked. By 2020, 75 per cent of Danish mothers with children less than 6 years did so (Kjerkegaard 1976: 136; Eurostat 2021).

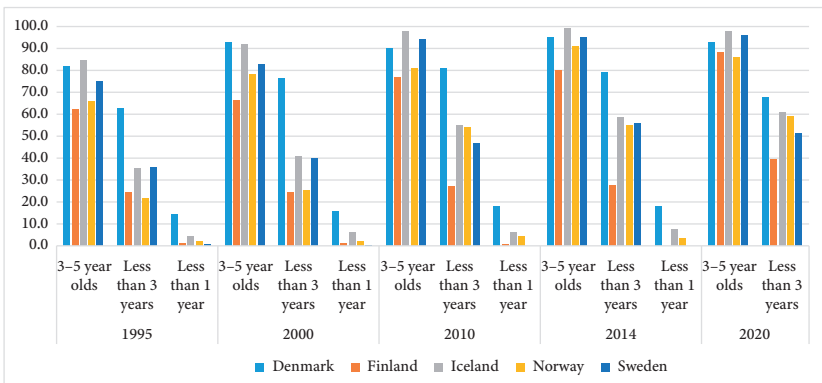
Remarkably, Denmark has always scored comparatively highly on these indicators, even among the Nordic countries (see Figures 4.1 and 4.2). In 1972, when ECEC started to be nationally regulated and universally offered, 16 per cent of children under 3 and 11 per cent of those under 1 attended ECEC. The numbers of children in ECEC continued to increase to 45 per cent and 24 per cent, respectively, in 1982. From the mid-1980s, slightly different trends started to emerge between distinct age groups, with the overall use of childcare continuing to increase rapidly, with the exception of the under 1s. The latter can be explained by the expansion of Danish parental leave in 1984 from 14 weeks to 26 weeks, along

with other parental leave reforms extending the leave entitlements and levels of compensation throughout the 1990s and early 2000s.

The continued growth of the overall share of children attending formal childcare over the next three decades (1980s, 1990s and 2000s) was enabled by the large-scale investment in the childcare infrastructure, although there was a shift between left and right governments. Furthermore, this trend of stable spending was maintained and even survived through severe economic recessions that led to financial cutbacks in other areas of welfare expenditure. Thus, parents could feel secure enrolling their children in ECEC (Abrahamson 2010; Borchorst 2009). From the early 1990s, several political parties, social partners and parents increasingly pushed for a childcare guarantee—to be offered to all parents—covering all age groups. By 1998, eight out of 10 Danish municipalities had implemented some form of childcare guarantee, although a nationwide statutory and universal childcare right was not agreed before 2004 (Folketingets Tidende 1998).

Danish parents embraced their newly granted childcare rights by using the childcare facilities that had come into place. Figure 4.2 illustrates that in doing so Danish parents make slightly different choices compared to their counterparts in other Nordic countries: Danish childcare enrolment is consistently much higher, even though numbers have increased in the other Nordics since 2000. For instance, less than 7 per cent of children below 1 year attended ECEC in the other Nordic countries in 2019, which is even lower than the share of Danish children enrolled in formal day care in the early 1970s (see Figures 4.1 and 4.2).

Furthermore, the take-up of childcare has been high across the social spectrum, even among low and high-income earners, and between different ethnic groups. Children from non-Western backgrounds and from socially deprived areas attend ECEC as much as other children. The enrolment gap that existed initially, has been



**Fig. 4.2** Share of children within different age groups attending formal day care as percentage of all children in the age group in the Nordics

Source: Nordic Council of Minister's database and EU-SILC survey (2021)

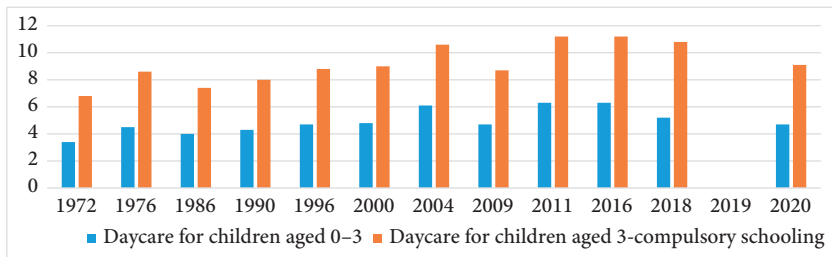
steadily shrinking, even if children with migrant backgrounds often commence childcare later (FOA 2019; Ottosen et al. 2018). Additionally, children of single mothers and socially excluded groups have historically been prioritized within the Danish childcare system (Thorsen 1997; Seemann 2021; Borchhorst 2005). The Matthew effect in childcare, which is marked across many advanced economies, is significantly less pronounced in Denmark and other Nordic countries (Pavolini and van Lancker 2018; OECD 2020).

Moreover, ample research relying on large-scale longitudinal surveys suggests that the Danish childcare expansion and its high care quality have had positive causal effects on school performance and, notably for boys and for children from less affluent families (Esping Andersen et al. 2012; Landersø et al. 2020). From a social mobility and learning perspective, Danish childcare can without doubt be qualified as a programmatic success, which was secured through a combination of capping childcare fees and nationwide care requirements and teaching standards, low staff-to-child ratios, and the high levels of educational attainment among childcare staff.

Danish childcare fees are heavily subsidized and are comparatively low, with extra reductions for low-income families (via means-testing), enabling them to use childcare on an equal footing to children from other families (Gromada and Richardson 2021; Esping-Andersen et al. 2012). In 2006, the nationwide ceiling for childcare fees was lowered (parents pay max 25 per cent of total childcare costs, while 74 per cent is covered publicly compared to parents paying 35 per cent in 1976 and 30 per cent prior to the 2006 reform (Rostgaard 2014; Lov nr. 333 af 19/06/1974)). A mere 2 per cent of Danish parents find they cannot afford ECEC (Eurostat 2018). This has ensured that childcare is affordable to all groups, thus making it de facto a universal right, which is central in the Nordic welfare state (Kvist et al. 2012).

From the very beginning of Danish ECEC, there has been a *strong social investment component* building on the German educator Fröbel's pedagogical principles of free play and positive learning processes (Eydal and Rostgaard 2011). Successive childcare reforms have underpinned these social pedagogical principles, with the 1964 Childcare Act being a historical turning point, by introducing the day-care institutions, emphasizing and strengthening these social pedagogical principles. There was special attention given to socially deprived children (Borchhorst 2009). The 1976 childcare guarantee shifted the focus from the socially deprived towards all children: by making childcare widely available, the much needed labour supply would be secured (Thorsen 1997).

The social investment focus re-emerged during the 1990s. By 2004, compulsory teaching plans for toddlers were introduced. There was also a strong emphasis on the skill levels of childcare staff and on staff-to-child ratios (Rostgaard 2015; Bundsgaard and Olwig 2018; Lov nr. 279 af 13/05/1998). Qualified childcare staff are requested to have at least four years of pedagogical training at university level



**Fig. 4.3** Staff-to-child ratios for children aged 0–3 and 3–5 years in Danish day care for selected years (1972–2020)

Source: Bureau 2020 (2019); FOA (2020b)

and the staff-to-child ratio in Danish ECEC is comparatively high, ensuring time for children with adults. Figure 4.3 illustrates that it has historically been even lower: in 1972, there was one adult per 3.4 children aged 0–2 years, compared to 4 children in 1986 and 5.2 children in 2018.

The high share of skilled staff, combined with a favourable staff-to-child ratio and a strong emphasis on developing children’s social skills rather than traditional educational schooling has not only enabled high female labour-market participation, but has also secured social mobility and social inclusion.

### Political Success

A hallmark of Danish ECEC has been a broad political consensus approach towards formal childcare, including for children less than 3 years which is also reflected by all major political parties voting in favour of childcare reforms over the years (Abrahamson 2010; Borchorst 2009). In fact, there has been a long-standing support for publicly funded childcare, where children’s skill development and thus the competencies of teaching staff have been central to all political parties, social partners and other key stakeholders, including parents (de la Porte et al., forthcoming; Folketingetstidende 1974). For example, the unions representing the teaching staff consistently highlight the importance of learning from a young age, citing the ‘Heckman curve’, which refers to the investments in the cognitive capabilities of children being fundamental for learning and adaptability during school and working life (Interview BUPL 2021). Equally, parents see ECEC as important for skills development for their children, and would rather have them in childcare than at home. This is also reflected in recent surveys, where the majority of Danish parents are highly satisfied with childcare provision and less than 10 per cent of Danish parents believe that pre-school children suffer, if their mother is working, suggesting support for the double-earner and double-carer model in the population at large (Gromade and Richardson 2021: 21–22).



To the extent that there is political debate about childcare provision, it is never about its purpose or scope. Social Democrats, left-wing and social liberal parties, along with trade unions and parents' organizations, have historically called for strengthening publicly funded childcare and increases in childcare quality (Eklund Hansen and Petersen 2000; Borchorst 2009). There are, however, critical voices. These critical voices were vocal in the late 1960s and early 1970s—at the time that ECEC started to be universalized—triggering a debate about the role of mothers as homemaker/care-giver vis-à-vis workers (Eklund Hansen and Petersen 2000; Borchorst 2009; Thorsen 1997; *Folketingets tidende* 1974). These debates were less prominent from the 1980s through to 2010.

In recent years, these discussions have resurfaced, with a slight increase in Danish parents opting for home-based care solutions (although still fairly marginal). There is also a focus on Danish parenthood in conjunction with the recently adopted reform that earmarks two months of the paid parental leave to fathers as part of implementing EU's work–life balance directive, Denmark is the only country in the Nordics that up until February 2022 did not yet have a substantial amount of earmarked leave for fathers. Parts of the trade union movement and Social Democratic Party were initially hostile towards earmarked leave, arguing that it intervenes with families' rights to organize their care arrangements according to their individual needs (de la Porte et al. 2020).

The Conservative Party and liberal-leaning political parties, along with the Danish employers, have also criticized earmarked leave, arguing that it intervenes in individual families' rights to organize their care arrangements. The right-of-centre parties are also more keen on privately operated, but publicly funded, care options, including promoting home-based care through cash-for-care schemes (Borchorst 2003; Rostgaard 2014; Venstre 1963; *Konservative Folkeparti* 1966). Danish employers support publicly funded ECEC as it clearly enables men and women to participate actively in the labour market. They have consistently and repeatedly called for increased opening hours of childcare institutions (Larsen 2007). In conjunction with the implementation of EU's work–life balance directive, Danish Industry was the first organization to proclaim support for statutory earmarked paternity leave, as an instrument of a broader gender equalizing labour-market policy. Notwithstanding these different emphases, any survey of position papers of social partners as well as the different election manifestos of individual political parties over the years will lead to the conclusion that since the early 1960s, there has been a strong commitment to strengthen and develop Danish ECEC—including its social investment components (*Konservative* 1965; Venstre 1963; 1970; *Socialdemokratiet* 1977; 1961).

## Process Dynamics: Dynamic Convergence

From a residual childcare approach to a public duty to provide ECEC

The early childcare debates, often centred around women's role in the family as homemaker/care-taker or (secondary breadwinners). Danish childcare up until the 1960s targeted the most vulnerable children and their families, such as single mothers and social excluded groups, while the norm ideologically for other women was that they should be 'home-makers' (Borchorst 2005; Thorsen 1997). Yet, even in 1964, the Children and Young People's Care Act included a focus on an environment to enhance children's learning and well-being (Borchorst 2005: 13–17; Ministry of Social Affairs and Ministry of Education 2000). The discourse started to change in the early 1970s, where ECEC, to support working mothers, was viewed more positively (Eklund Hansen and Petersen 2000). The 1976 childcare guarantee was adopted by a broad coalition of political parties with the aim to develop the public childcare infrastructure (Thorsen 1997; Folketingets tidende 1974).

Along with the 1964 Act, the 1976 childcare guarantee provided key turning points for ECEC. These reforms not only extended childcare to all children, but also emphasized and strengthened the social pedagogical ideas that childcare could contribute to small children's development and upbringing (Thorsen 1997; Borchorst 2009). In fact, the 1976 childcare guarantee is the first form of Danish legislation stipulating that local authorities were not only required to provide child-care, but also that they had the discretion to decide on its service level and eligibility criteria. The law also emphasized that the childcare guarantee was to assist working families with reconciling work and care responsibilities (Lov nr. 333 af 19/06/1974: §69; Thorsen 1997).

Yet, with the emphasis on facilitating labour supply, the social investment component of ECEC was in the background with the 1970s' legislation. It was in that context that progressive pedagogues, together with leading female Social Democrats and the trade union movement, pushed the agenda of a stronger focus on social investment and learning outcomes for the ECEC system (Borchorst 2009; Eklund Hansen and Petersen 2000). This was successfully integrated, in line with the de facto universalization of ECEC, although in a piecemeal fashion. This position was mostly shared across party lines. Yet there were also internal divisions among stakeholder groups (Borchorst 2009; Abrahamson 2010). For example, within the Social Democratic Party and the trade union movement, there were critical voices advocating for women as homemakers in the 1960s and 1970s. The Social Democrats' 1973 catalogue entitled 'Demands on Equality' reflects this by warning against leaving families' childcare responsibilities to less personalized public institutions (Eklund Hansen and Petersen 2000:

48). The 1977 election manifesto of the Social Democrats indicates their dual childcare approach, on the one hand pledging for flexible working and extended leave entitlements to secure parents enough time with their small children, but also calling for the expansion of ECEC infrastructure to promote social inclusion and gender equality ([Social Democratic Party 1977](#)). Within the Danish trade union movement, the comments by the former union president in 1979 about earmarked paternity leave, which he opposed on grounds that ‘men would just use these leave days for fishing trips’ are examples of the more traditional views of women as care-takers/homemakers within the Danish trade union movement ([Eklund Hansen and Petersen 2000](#)). Additionally, various surveys from the mid-1970s suggest that Danish parents were divided in terms of their values about care responsibilities in the family: 25 per cent of parents preferred the traditional male breadwinner model and 35 per cent favoured the one and half-male breadwinner with children in part-time ECEC, while less than 2 per cent per cent supported the dual-earner model with children in full-time day-care ([Knudsen 2004](#)).

The Conservative Party and Liberal political parties’ approach to ECEC, like the Social Democrats, was also quite ambivalent. In their various election manifestos from the early 1960s and 1970s, they emphasized the role of mothers as homemakers and care-takers, but at the same time, they stressed the importance of securing labour supply and thus, supported the expansion of publicly funded childcare infrastructure (Konservative 1965; [Venstre 1963, 1970](#); [Borchorst 2003](#)). It was, in fact, the Liberal Party that ensured that the 1976 Danish childcare guarantee was enacted, when they were in office, although this reform was the work and flagship of the former Social Democratic Party that lost power in the 1973 election. The childcare guarantee was passed with a majority in 1974 with the Liberal Party, Social Democrats and left-wing parties voting in favour, while the Conservatives abstained from voting ([Farbøl et al. 2018](#); [Folketingets tidende 1974](#)).

The shifting gender balance within many political parties and the Danish trade union movement, notably during the 1960s and 1970s, combined with increased labour demands and public pressure to develop the childcare infrastructure due to the influx of women into paid work, seem to have paved the way for the 1976 childcare guarantee ([Eklund Hansen and Petersen 2000](#); [Borchorst 2009](#)). At the time, the Danish women’s movement emerged, leading to various local women’s groups and debate fora on gender equality at workplace level ([Knudsen 2004](#); [Borchorst 2009](#)). The Danish Employers also supported publicly funded childcare with their 1976 joint pamphlet, and the unions, in particular LO, the largest union, called for further expansion of the childcare infrastructure to enable both parents to reconcile work and care-giving ([Eklund Hansen and Petersen 2000](#)).

## From childcare duty to a nation-wide universal childcare right

Although there was a rapid expansion of childcare infrastructure and availability throughout the 1970s, 1980s and 1990s, the rising childcare demands exceeded the supply, leading to long waiting lists, and to municipalities prioritizing working parents, whereas the unemployed, students and socially excluded fell short of the childcare guarantee (Esping-Andersen et al. 2012; Thorsen 1997). This sparked a political debate, and in the early 1990s, a broad coalition of political parties urged the then Conservative-led government to include the shortage of childcare availability in their negotiations with the local governments (Thorsen 1997). The incoming Social-Democratic-led government embraced this urge in its 1993 parliamentary opening speech. It promised to create genuine care options for families with children by extending the statutory leave schemes and including a childcare guarantee in their negotiations with local governments (Nyrup Rasmussen 1993). By 1995, the aim had become to guarantee all parents a childcare place within the first 12 months of a new child's life (Folketingets Tidende, 1995). While the Social Democrats succeeded in passing new laws and extending the statutory leave scheme, they were unable to obtain political support for a statutory universal childcare guarantee for all parents. However, municipalities started to offer their own versions of childcare guarantees, and by the early 2000s, the childcare guarantee de facto had become quasi-universal (Eydal and Rostgaard 2011).

To ensure the implementation of the promised universal childcare guarantee, the Socialist Party was subsequently led to repeatedly raise the issue in parliament from the early 1990s and onwards, proposing legislative measures for a nationwide universal childcare guarantee, but without much success (Folketingets Tidende 1991, 1995, 1998). Both the Social Democrats and right-of-centre parties opposed this proposal, but for different reasons. The Conservatives and the Liberal Parties claimed the childcare guarantee intervened in the autonomy of local government, with some Liberal politicians calling for extending the schemes and funding for home-based care, although they in principle also supported publicly funded ECEC (Folketingets tidende 1998). The Social Democrats sympathized with the initiative, but opposed it on grounds that the parliament had already agreed that they would present their own childcare plan later in the year. However, in 1998, the Social Democrats surrendered and promised to introduce a statutory nationwide universal childcare guarantee for children aged 26 weeks, up to compulsory schooling, but did not succeed with their pledge, as they were unable to gain a majority in parliament (Socialdemokratiet 1998).

Thereafter, the Liberals were in government, under Anders Fogh Rasmussen. Building on the work of the left-of-centre parties, the Liberal government successfully proposed, in 2004, that the nationwide universal childcare right was adopted, guaranteeing all children from 26 weeks the right to a full-time child-care place, with all political parties voting in favour, except for the Christian Democrats and

the left-green alliance ([Folktingets tidende 2004](#)). The Social Democrats, Socialist Party and Social Liberals supported the 2004 nationwide childcare guarantee which built on the leg-work they had done in the previous decade. However, they also called for lower childcare fees (1,000 DKK per month), increased focus on the care quality, favourable staff-to-child ratios and for transferring parental leave days to caring days to ease families' work-life balance ([Folketingets Tidende 2004](#)—Villy Søvnald, SF, Lotte Bundsgaard, SD; Ida Jørgensen, RV). Likewise, the trade unions, representing childcare staff, echoed the positive remarks about the new childcare rights, but shared the concerns of the Social Democrats and left-wing parties, especially emphasizing that the childcare guarantee should be a social-pedagogical-informed ECEC offer ([BUPL 2004](#); [FOA 2004](#); [PMF 2004](#)). The Danish private employers, the Danish trade union movement and other relevant stakeholders, such as parental organizations, welcomed the childcare guarantee, while KL—the interest organization, representing all Danish municipalities, feared that the new childcare rights would jeopardize their autonomy and entail increased costs ([KL 2004](#); [Hesselager 2004](#)).

Before and after the 2004 childcare guarantee, the Liberal Party, with the support of the Danish People's Party, granted parents' alternative care options to publicly provided childcare services. For the Liberals, it was about free choice among different public provided and private, but publicly funded care options, while for the Danish People's Party, it was about traditional gender roles ([Folketingets Tidende 2004](#)—Pia Kristensen, DF, Henrik Vernersten, Venstre, Charlotte Dyremose, KF). In practice, the development of various alternatives for care, including high-quality publicly funded care, public-procured private and home-based care options, signified that parents had a wide range of possible care options ([Eydal and Rostgaard 2011](#)). Table 4.1 summarizes the policy evolution of the ECEC system.

### **Policy Endurance: Preservation through Adaptation**

Since the adoption of the 2004 universal childcare rights, take-up rates of childcare places from all social classes and all regions in Denmark have increased and have remained at a consistently high level. Since then, the financial crisis of 2008 led to years of austerity, which also affected childcare. Subsequently, there were a series of reforms, which, on the one hand, ensured that original aims, such as high quality, are maintained. It is especially the newest 2020 regulation on childcare quality, which addresses this. On the other hand, some recent reforms since the 2010s, have elements of coercion, à la Nanny state, which could undermine the notion of free choice that entails that parents can choose between different public-provided and private, but publicly financed, childcare options, which characterizes the Danish ECEC system.

**Table 4.1** Main childcare reforms in Denmark, 1919–2020

<b>1919</b>	The Danish government starts to subsidize childcare
<b>1933</b>	The government's grants for subsidizing childcare are inaugurated in the law
<b>1964</b>	Developing the public childcare infrastructure based on social pedagogical ideas Introducing access to childcare for all children Private childminders inaugurated in the law as an emergency care solution
<b>1976</b>	Introduction of a general childcare guarantee Relegation of the childcare responsibility to local municipalities Private childminders a supplement rather than emergency care solution to public day care Ceiling for childcare fees equal to 35% of total childcare costs
<b>1990–98</b>	Permissive powers to local governments to fund private care solutions and home-based care (1990) Extension of paid parental leave Universal childcare guarantee for all children six months and/or older (1998) Pilot projects on private childcare solutions
<b>2002</b>	Extension of paid parental leave to one year Roll-back of earmarked paternity leave Permissive powers for municipalities to grant 1 year paid childcare leave
<b>2003–2004</b>	The Free Choice schemes (2003) under which municipalities are legally obliged to subsidize any childcare provision allowing parents to opt for private childminder, day care or home-based care Legal strengthening of the universal childcare guarantee (2004) Pedagogical teaching plans for children 0–5 years (2003) Upper threshold for childcare fees (2004) Privatization of childcare services including new possibilities for private childcare for profit (2005) The structural reform (2007) introducing nationwide regulatory restraints on public childcare spending
<b>2011–2017</b>	Compulsory day care for bilingual children aged 3 years (2011) Compulsory daycare for bilingual children aged 2 years (2016) Danish language becoming compulsory for day-to-day language in private childcare
<b>2018–2020</b>	Compulsory day care extended for 1-year-olds living in deprived areas on the so-called Ghetto list (2018) Nationwide regulatory standards for staff-to-child ratio in formal day care Targets for increasing share of educated staff in day care (2020) Removal of possibilities of private childcare for profit (2020)

*Source:* compiled from [Borchorst 2005](#); [Rostgaard 2014](#); [Larsen 2007](#); [Regeringen \(2019, 2020\)](#); [Lov nr. 279 af 13/05/1998](#); [Lov nr. 333 af 19/06/1974](#) with subsequent revisions, [LOV nr 501 af 06/06/2007](#), with subsequent revisions.

In 2004, when the childcare guarantee was introduced, mandatory teaching plans for the 0–3-year-olds were also introduced, along with the lowering of childcare fees (Eydal and Rostgaard 2011). This has de facto meant that childcare fees are affordable for all families; for poor families, on the basis of means tests, the fee is even lower or in some instances waived away. Furthermore, quality is ensured through teaching plans and guaranteeing and maintaining levels of qualification of staff. However, and especially since the financial crisis, childcare fees have increased everywhere, but more so in the richest than the poorest municipalities. Local childcare fees in the richest municipalities have increased between 7.5 per cent and 40 per cent since 2009 compared to an increase in local childcare fees ranging from 2.2 per cent to 40 per cent in the poorest municipalities (authors' own calculation—[Statistics Denmark 2021b](#)). However, the share of childcare fees as a percentage of families' average income differs across municipalities, amounting to around 5 per cent of families' average income in the richest municipalities, compared to up to 13 per cent in some of the poorest municipalities (authors' own calculations—[Statistics Denmark 2021b](#)). Thus, hidden inequalities appear to exist regarding access to affordable childcare, even if regulatory standards set an upper threshold for childcare fees.

The central government has allocated additional funds on an ad hoc basis (2012: DKK 500 million; 2015: DKK 250 million; 2020: DKK 500 million; DKK 200 million for each subsequent year 2021–2024) to respond to local cutbacks in childcare in conjunction with the austerity years. The explicit aim was to improve the availability and quality of Danish ECEC ([Regeringen 2020](#); Interview [BUPL 2021](#)). However, despite this extra funding, several municipalities have continued to curb their childcare spending, for instance by shortened opening hours of care institutions, or hiring more non-qualified staff ([FOA 2017, 2020b](#); [BUPL 2021a](#); authors' calculations based on data from [Statistics Denmark 2021a](#)).

The financial cutbacks in childcare spending and subsequently lower levels of childcare quality in the years after the financial crisis (altogether, the proportion of GDP spent on childcare decreased from 1.7 per cent of GDP in 2009 to 1.2 per cent of GDP in 2018) sparked political debates among key stakeholders. This also created tensions between central and lower levels of governance regarding regulatory standards for the quality of childcare. During the austerity years, an increasing share of childcare staff felt they did not have time to provide the necessary care for children ([FOA 2020a](#); [BUPL 2020a](#); [2020b](#)). Work-related stress became more common among childcare staff, with nearly one in four educated childcare teachers having symptoms of work-related stress in 2016, which is an increase of 50 per cent since 2012 ([AE-rådet 2018](#)). These numbers, which at first sight do not seem so alarming, actually suggest a wider and more alarming trend of decrease in the quality of care in the childcare institutions. In the public debate, a series of incidents with highly distressed toddlers attending public childcare, provided more fuel to the issue of quality in care institutions. Public documentaries point to poor

working conditions, lack of qualified staff and understaffed childcare institutions. This pushed the theme up the political agenda, not least during the general election in 2019.

In 2019, following the public debate on this issue, including FOA and BUPL, but also the parent organization FOLA, an extensive nationwide campaign was organized for improving the quality of childcare under the slogan ‘Where is an adult’. In its electoral campaign, the Socialist Party wanted to introduce nationwide regulatory standards and to increase public spending to finance their implementation; the Social Liberals, instead, called for a focus on the level of education of care staff, and campaigned for a larger proportion of skilled staff to unskilled staff in ECEC. To gain the support from the Socialist Party and Social Liberals, the minority Social Democratic government agreed in 2020 to introduce nationwide regulatory standards and to expand the childcare budget. This reform was adopted with a much slimmer majority than in the past, and is expected to be fully implemented by 2024, although the government has already started to finance this new scheme as of its 2020 budget (Regeringen et al. 2019, 2020).

Unions, such as BUPL, considers the new nationwide regulatory standards a ‘historical victory’, and FOA recently stated that ‘it is much more than we have dared dream about’, while the parent organization, FOLA, stated: ‘[A]ll we have fought for in all these years will now become reality’ (FOA 2020a; 2020b; FOLA 2020). Other key actors such as left-wing and Social Liberals have also welcomed the new regulatory standards and stress they are pivotal to secure similar high childcare standards, while the liberal-leaning central and local political parties and KL are sceptical about implementation on the ground (Conservative Party 2021; KL 2021). Yet, BUPL assesses that the funding provided to introduce this provision will lead to upwards convergence in regulatory standards (Interview with BUPL 2021; BUPL 2020b), especially considering there is a reasonable time horizon (2024) to implement the standards. Overall, this reform successfully addresses the issue of quality in childcare, which is central from a social investment perspective.

To secure similar regulatory standards across public and alternative private day care options, the 2020 Social Democratic government extended the scope of recent reforms on staff-to-child ratio to also cover private day care institutions. Furthermore, the 2020 reform also removed the possibility for private care institutions to make a profit. Part of their 2020 reform was also to allow municipalities to demand that wage and working conditions in private care institutions are at a similar level to public day care (Regeringen 2020). These regulatory changes have had the support of the left-wing political parties, the Social Liberals and unions, while the liberal-leaning parties and the employers’ organizations, such as Danish Industry, have criticized them. Danish Industry has opposed the removal of private institutions’ possibility to organize for-profit institutions, while the liberal parties have criticized the government for excluding private institutions in their plans for raising the qualifications of care staff (DI 2020). Overall, however, this 2020 decision



is in sync with ensuring that childcare, whether publicly or privately organized, could lead to upward social mobility for all children irrespective of background. Thus, these reforms do promise to adjust childcare, especially following years of austerity.

Alongside the universalization of the right to childcare, there have been concerns about the integration of non-Western ethnic minorities by the political establishment, whether the governments were more right- or left-leaning. Thus, in 2011, universal childcare rights shifted to a requirement for some groups of children, that is, bilingual children from 3 to 5 years. This was later extended to the 0–3-year-olds living in socially deprived areas. The aim is to give these groups of children a better start in life, although these motives were criticized from different interest groups and from the social liberals, for targeting non-ethnic Western citizens (Seemann 2021). The fact that both right-wing political parties and the Social Democrats repeatedly advocated for free childcare choices, but compulsory day care for children living in the so-called ‘Ghetto-list’ areas, points to the dual nature of their childcare approach. Here, the nanny state comes in, removing freedom of choice, which reflects the populist and anti-migrant stance of most of the Danish political establishment.

### **Conclusion: A Robust Success**

Danish ECEC for the 0–3-year-olds is without any doubt a policy success according to the PPPE framework. In terms of *programmatic success*, Denmark was not only a pioneer in developing nationwide ECEC, but from the beginning, social investment—focusing on learning capabilities of children, was integrated into the system. The implementation of ECEC nationwide is remarkable, and take-up rates have been high since the 1970s. The use of childcare is particularly high among the 1- to 3-year-olds, while the take-up rate of ECEC among children below 1 year is around 20 per cent, due to parents’ possibility to take up to one year paid parental leave.

Furthermore, most ECEC in Denmark is publicly organized, and the public institutions have higher quality standards than alternative private solutions. In fact, private for-profit solutions are crowded out of the ECEC market in Denmark, while non-for-profit arrangements are valuable for families that may have particular needs. Furthermore, the public expenditure of ECEC is relatively stable, even if it decreased slightly during the austerity years. Childcare in Denmark is used not only across the whole country, but also among families from different social classes. Thus, it is possible to organize and to deliver this policy of high quality without the kind of social inequalities which characterize ECEC in many other countries (Pavolini and van Lancker 2018; OECD 2020). ECEC invests in the capabilities of children, while it also enables men and women to engage in gainful employment. Although children are enrolled in full-time ECEC,—many women choose to work part time during

the years their children are small. By providing universal access to full-time childcare, the system enables families to decide how they combine work and family life.

Danish ECEC has also been a clear *political success*, as political parties from the left to the right of the political spectrum, at central and local levels of government, support ECEC. There has been broad-based support for major decisions on expanding ECEC, in the 1970s, the 1990s and the 00s. In fact, ECEC policies developed incrementally not only to institutionalize availability, but also to integrate learning. The landmark reforms were proposed by right-of-centre political coalitions, building upon preparatory work done by left-of-centre parties. In addition to political parties, unions, employers and parents' organizations have been very active in the debate on the design and the incremental reforms of ECEC. While it was very much progressive childcare staff together with the women's movement, trade unions and the left-wing and Social Democrats that pushed for the childcare reforms in the 1960s and 1970s, the parent organization, FOLA, with unions, played a very active role in the most recent reforms, which illustrated the engagement of stakeholders in the process. This has been a conditioning factor both for the past and the most recent childcare decisions. Linked to the political success, ECEC has also been a clear process success, with incremental reforms by broad-based coalitions, carried out without major obstacles.

The Danish system of ECEC has *endured* over several decades. There have been challenges along the way, in particular savings during the austerity years, which spilled over to quality. Yet, this has been addressed with the new decision of minimum norms for staff: child ratio. Other challenges include creeping inequality, where families at the lower end of the income scale use a larger proportion of their income for childcare, but it seems to have been curbed, due to the maximum parent fee.

On the basis of the success according to the PPPE framework, it is therefore unsurprising that Denmark' full-time, high-quality, publicly regulated childcare guarantee is a poster-child for the EU's child-guarantee initiative, launched to promote upwards social mobility, *and* for the Biden administration's plan for families, proposing universal high-quality care for 3- to 4-year-olds. On both sides of the Atlantic, the rationale for comparable schemes is that investment in skills at a young age pays off in terms of learning later in life.

### Questions for discussion

1. How are the formal childcare arrangements in your own country?
2. Do all children have access to affordable formal childcare?
3. If yes, was the universal childcare guarantee politically debated?

4. If no, has the issue of a formal childcare guarantee been raised and why have formal childcare rights not been implemented in your country?
5. If you compare the level of childcare use in Denmark to your own country, how does it differ? Why do you think that is the case?

### Links to online resources

For comparative European data, consult EU-SILC, under ‘Living conditions’: <https://ec.europa.eu/eurostat/web/income-and-living-conditions/data/database/>.

Also check the EU-SILC Ad-hoc module from 2016 on ‘Access to Services’, with access to childcare across the EU (including affordability): <https://ec.europa.eu/eurostat/web/income-and-living-conditions/data/database/>.

The OECD family database offers a wide range of interesting indicators regarding childcare and family policies, in a comparative perspective: Furthermore, <https://www.oecd.org/els/family/database.htm/>.

Statistics Denmark has comparative cross-country data, at the level of municipalities: <https://www.dst.dk/en/Statistik/emner/borgere/husstande-familier-og-boern/boernepasning/>.

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# 5

## ‘Living Longer, Working Longer’

### An Unlikely Retirement Policy Success?

*Fritz von Nordheim and Jon Kvist*

#### **Introduction**

When people live longer, they must also work longer. That is the tenet of ‘the life expectancy indexing of the pensionable age’, which is an important aspect of Danish retirement and pension policy. Its innovative, audacious principles and its potentially powerful economic and societal effects have won considerable international recognition and been used by the European Union as a model to follow in pension reform across the member states. In this sense, the Danish case of life expectancy indexing of pensionable ages appears to be a clear policy success. But viewed through the PPPE framework applied to the domestic scene it is weak on the process and political parameters, stronger on the programmatic criteria, and only solid on endurance. Even here its policy success primarily concerns public finances, whereas success is more of an open question with regards to equity.

The question is to what extent a pioneering and risky policy that effectively tackles major problems, which otherwise will cause recurrent conflicts as well as large economic and social challenges, can be deemed a success, even though it was adopted, tightened, and continued without involving major stakeholders, and is neither fair nor popular. This chapter offers a presentation and an analysis of the Danish policy of linking pension age to life expectancy for readers to make up their own minds.

#### **An Outstanding Pension System**

Everywhere in the developed world population ageing is presenting a serious challenge to the economic and social sustainability of pension systems (OECD 1998, 2019). Since the 1990’s national politicians—and international organizations such as the World Bank, the OECD, the ILO and the EU—have grappled with the problems of devising a pension system that in ageing societies can be both socially adequate and economically sustainable (Holzmann et al. 2005). Socially adequate signifies protecting pensioners against old age poverty and providing a reasonable



replacement rate compared to life-earnings, while economically sustainable refers to containing the financial burden due to population ageing and ensuring public finances remain in balance.

In the annual updating of the renowned Melbourne Mercer global index of pension system performance, the Danish pension system has for a decade consistently been scored as one of the best in the world, because it is ‘a first class and robust retirement income system that delivers good benefits, is sustainable and has a high level of integrity’ (Mercer 2012–2020). It is remarkable, that Mercer scores Denmark well ahead of Sweden and Norway. Sweden twice excelled as global leader in grand pension design and Norway followed suit (Holzmann et al. 2012). By contrast, Denmark was for long the Nordic pension laggard and when the current three-pillar structure emerged, developments followed more from macro-economic concerns and ad hoc adjustments than from any clear pension vision (Andersen 2011).

Yet, by 2012, when Mercer first assessed Danish pensions, the various elements had formed a fine system of pension provision. The merits of many system elements contribute to the overall Mercer score.<sup>1</sup> But a major contribution comes from the pioneering legislation in 2006 and 2011 that raised the pensionable age and linked it to developments in life expectancy, while seriously restricting access to early retirement.

### A Reform against the Odds

In 2006, Denmark became the first country in the world to adopt legislation that indexed the pensionable age to developments in life expectancy for 60-year-olds. In a nutshell, this is a pioneering attempt to neutralize the economic effects of longevity growth as one of the two factors in population ageing—the other being fertility decline. The reform resonated well with pension experts internationally and in Denmark, and with Ministry of Finance officials. Yet, politically, it was decided without involving key stakeholders and without being tested in an election.

Economically and politically, Denmark was a rather unlikely candidate to take a vanguard position in radical pension reform in 2006. Its economic situation and the fiscal health of the pension system at that time in no way necessitated such a policy. Raising the pensionable ages did not fit the position of most of the political parties at the time. Furthermore, the policy was tightened in 2011 by a government in which the main parties had campaigned against it. Finally, it was first implemented (2014) and later continued (2020) by reluctant governments.

<sup>1</sup> For an extensive introduction to the history and design of the Danish pension system, please see von Nordheim and Kvist (2022).

Indeed, life expectancy linking of the pension age constitutes a case of successful public policy primarily in the sense that it was agreed, strengthened, applied and maintained against considerable odds. It was neither seen as fair nor was it popular. What is more, its first full implementation is still a decade away. Yet, to the degree that it already has helped break the ingrained early retirement habit of Danes and subsequently succeeds in raising the average exit age, it has brought—and will continue to bring—economic benefits to Danish society.

This chapter tells the story of how this wholly novel pension policy was adopted and how it has persevered in such an unlikely political context. It also assesses to what degree and in which ways it has been, is and may continue to be a 'successful' policy. But first we will explain why and how raising the pensionable age in line with life expectancy can be a powerful response to population ageing.

### **Context: The Ageing Challenge**

The challenge to pension systems from population ageing is that it raises pension costs and lowers tax revenues. Pension costs will shoot up as the large post-war age cohorts retire and with the rise in the duration of pension receipt due to longevity growth. At the same time, potential labour supply will decline with a markedly negative impact on economic growth and tax revenue. In this situation, counteracting the fall in labour supply by extending the working age span at the upper end can be a powerful way to reduce harmful consequences of population ageing ([European Commission 2018](#); [Finansministeriet 2007, 2017a, 2017b](#)).

Prior to 2006, pension reforms in developed countries primarily focused on combinations of restricted access, lower benefits, more contributory years and higher taxes on the active population. These reforms tend to make both pensioners and society poorer. By contrast, if pensionable ages (and exit ages) automatically go up as life expectancy increases, it will simultaneously lower costs and increase revenues. Pension duration will stabilize, transition from boomers to busters will be far more gradual and potential labour supply increases. To the extent that older workers are employed and simply continue working till they reach the higher pensionable age, GDP and tax revenue will increase in the same proportion. With major savings and more revenue there will be no—or at least far less—need for benefit reductions. In principle, linking the pensionable age to life expectancy can make adequate pensions sustainable, socially and economically, even at the height of population ageing.

Pension reforms in other countries, including Sweden, Norway and Finland, had already established considerable financial incentives to work longer. But the Danish reform had even greater potential to bolster the fiscal and social sustainability of pension systems. The European Commission and the European Council thus made life expectancy linking of the pensionable age a pivot of the heavy

doses of pension reform advice, which from 2010 were administered to member states in the annual country specific recommendations ([European Commission 2015](#)). Raising the pensionable age sends a much stronger signal to the social partners and the population that retirement practices must change than a financial incentive for individuals hidden in a pension calculation formula. The indexation also avoids problematic policies like reducing the adequacy of benefit levels as longevity increases.

## The Path towards Longevity Indexing

### A political storm

When falling unemployment rates in the late 1990s failed to lower entry into the Voluntary Early Retirement Pension Scheme (VERPS) and membership and cost seemed set to soar with changing demographics, the Social Democratic Minister of Finance became convinced that the scheme should be reformed.<sup>2</sup> Since the Social Democrats had just narrowly won the 1998 parliamentary election by promising to uphold the VERPS over bourgeois demands that it be closed, it was risky business to tamper with the scheme. Yet, the concerns of the Minister prevailed and in 1998, he secured support from the Liberals to continue the scheme, but conditional to tightening access and increasing contributions. The reform led to a sudden drop in new entrants to the scheme, followed by a long gradual decline in membership of the scheme. Curiously, in order that the VERPS period be reduced from seven to five years without raising the entry age, the reform also entailed that the pensionable age in the national People's Pension scheme was lowered from 67 to 65 from 2004. Given that benefits in the latter were markedly smaller than in VERPS on which half of the workforce had retired by age 65, the lowering made sense as it entailed savings.

The reform of the VERPS raised an intense political storm, that alienated most of the trade union movement and a large part of Social Democratic voters. Consequently, the Social Democrats lost power at the next election. More importantly, the vehement and persistent reactions of voters and the union movement, led to a fear among politicians of tampering with the VERPS scheme again. After 1999, it took seven years before another major reform ripped into the VERPS programme,

<sup>2</sup> The VERPS introduced in 1979 afforded unemployment-insured workers the right to retire up to seven years before the pensionable age of 67 on a benefit at the same level as unemployment insurance. With abundant youth entering the labour market it made sense to open jobs by allowing ageing workers typically affected by attrition, unemployment, sickness, and disability to retire early. Originally targeted at blue-collar workers, who were then the prime group insured through the union-affiliated voluntary unemployment schemes, the VERPS developed into an exceedingly popular early exit route as white-collar employees massively unionized and joined redundancy insurance schemes during the high unemployment of the 1980s ([Petersen 2011, 2014](#)).

even though, supply-side economists, employers and the Conservative Party as junior government partner kept clamouring for its full eradication.

Meanwhile, the focus of concern among policymakers widened from the cost of early retirement to the general impact on labour supply of the coming demographic transition from baby-boomers to baby-busters. The economic consequences of an adjacent shrinking of the workforce could be enormous. Therefore, politicians—from left to right—agreed that ways to counteract major contractions of labour supply had to be found. While labour market, social and education policies for some time increasingly had been oriented towards maximizing employment, ageing concerns cemented this focus.

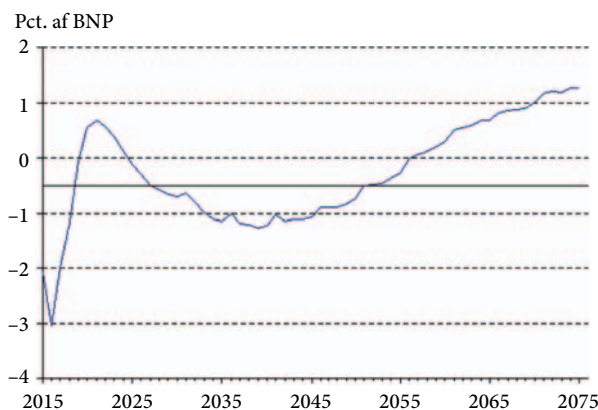
### A jump in life expectancy

Around the same time apprehensions about the future costs of old age pensions suddenly increased because longevity growth, which so far had appeared a quite manageable part of population ageing, accelerated and appeared set to continue at a considerably higher pace. Whereas life expectancy in Denmark from 1900 to 1955 grew almost continuously by 3.9 months per year, it dropped and stagnated at an average of just 1.1 month annually from 1955 till 1995. Life expectancy at 60 developed even more slowly than at birth, and as this trend had persisted for so long pension experts expected pension duration to continue to expand at quite a moderate speed.

From 1995, when life expectancy at birth and longevity at age 60 suddenly accelerated, experts first anticipated it to drop back down again. But as life expectancy for 60-year-olds by 2005 had grown by two years—or more than 10 times as much as in the period 1981–1995—government economists, external experts and MPs became genuinely concerned about the economic sustainability of the pensions system. If this trend continued, pension duration could expand by an extra seven years by 2040. Since average pension receipt in 1995 had amounted to 14.5 years, one risked having almost a 50 per cent expansion in pension cost merely from longevity growth.

In economic forecasts, the increased pension expenditure due to demographic changes signified there would be an increase in the budget deficit. Figure 5.1 demonstrates how this deficit was set to be particularly pronounced from the late 2020s to the late 2040s. The phenomenon of a looming temporary budget deficit caused by demographics became known as 'the problem of the hammock' because the shape of the graphic was used in political polemics advocating the necessity of terminating early retirement and promoting longer working lives, thus making older workers 'get out of the hammock' and carry on working.

As the prospect of the 'hammock' problem sunk in, experts were asked to determine which changes in welfare and employment policies would be needed to counter the negative impact of ageing on labour supply and pension costs.



**Fig. 5.1** Budget deficits as percentage of gross domestic product (GDP), 2015–2075

Source: Whitta-Jacobsen et al. (2014)

### A changing political landscape

The Liberal Prime Minister, Anders Fogh Rasmussen (2001–2009), was a cautious politician with little appetite for radical reform, who was especially careful not to be seen as an enemy of the welfare state. In fact, he had introduced the so-called contract-with-voters principle, whereby he committed to pursue only the policies he had announced in the election campaign. But as employers and his coalition partner, the Conservatives, kept requesting further changes to the VERPS, he decided to sideline the question, by setting up a ‘Welfare Commission’ to examine the need for reforms to secure the future financing of the welfare state. He subsequently underscored that any conceivable reforms would have to be agreed by broad majorities spanning the left–right divide and legislated only after they had been presented to voters before an election (Petersen and Petersen 2014).

In the mid-2000s, the Social Democrats, still reeling from the VERPS controversy, had just suffered their second consecutive election defeat when a new, totally inexperienced Helle Thorning Schmidt became leader. They, therefore, also seemed highly unlikely to agree wide-ranging changes to the retirement system. Yet, Thorning Schmidt, to gain attention, had already earlier entertained the idea of closing the VERPS to people below 40 years of age. Moreover, with her avowed intention of ‘working the government out of office’ through constructive cooperation, and her need to assert her leadership and demonstrate her willingness to pursue responsible economic policies, she turned out to be more open to a big agreement with the government than expected (Petersen 2014).

The populist Danish Peoples Party (DPP), which opposed any further reductions in VERPS and had pensioner welfare as one of their key priorities, was

another unlikely supporter of radical retirement reform. Though it functioned as permanent support for the centre-right government, it also competed with the Social Democrats for the votes of low and unskilled workers, who formed the main clientele of the VERPS. Hence, it was only after the Social Democrats had shown themselves willing to consider further VERPS reforms that the DPP reluctantly joined negotiations. The possibility of gaining respect as a 'responsible party' also clearly motivated the party leadership of DPP to reach for a deal. Still, the DPP maintained a distance to the specific changes under consideration and tried to place the blame for any retrenchments with the Social Democrats (Petersen 2014).

In the mid-2000s a decade-long economic upturn, in which the national debt and deficit had been markedly reduced, was still going strong. At the same time, the new pension system with a central role for occupational pensions completed in the mid-1990s unfolded even better than expected and exuded strong economic sustainability. Hence, there was no immediate need for further growth or savings-enhancing measures. Such a 'need' had to be extrapolated from the demographic situation three decades further down the road—a major feat to pull off in a country which never had sought to prepare for developments so far into the future.

### Designing the 2006 'Welfare Reform'

Having initially dismissed most of the contributions from the Welfare Commission as politically impossible and without presenting reforms to voters prior to an election, the centre-right government in 2006 nevertheless agreed a major retirement reform with most of the opposition, including the Social Democrats. Strikingly, 159 MPs out of 179 supported the so-called 'Welfare Reform'.

The agreement largely aligned with the Welfare Commission's programmatic argument about the necessity of 'working longer as we live longer' if we were to 'future-proof' the financing of the welfare state (Smith and Petersen 2006). But the actual content of the 2006 Welfare Reform agreement, including the design of the life expectancy indexing of the pensionable age, resulted more from the Ministry of Finance orchestrated negotiations between the government and the opposition than from any of the Welfare Commission's ambitious timing proposals. In the agreed Welfare Reform in 2006, the pension eligibility age would first be raised from 65 to 67 many years down the line, in the period 2024–2027. Thereafter, the pensionable age would be linked to developments in life expectancy for 60-year-olds, with the longer-term aim to reduce the average duration of pension receipt to the 14.5 years, it amounted to in 1995 (see Table 5.1).

The life expectancy indexing aimed at depoliticizing the issue of pensionable ages. But to secure agreement from all parties, the idea that the rise in pensionable ages would follow automatically from the indexing had to be dropped. Each rise would have to be confirmed by a new parliamentary decision.

**Table 5.1** Pensionable age reforms 2006–2020**2006 *The seminal ‘Welfare Agreement’****Elements aimed at closing gap with life expectancy developments since 1995:*

- Entry age for People’s Pension (PP) raised from 65 to 67 in the period 2024–2027
- Entry age for VERPS raised from 60 to 62 in the period 2019–2022

*Elements aimed at keeping up with future life expectancy developments:*

- Entry age in PP linked to developments in life expectancy for 60-year-olds and entry ages in all other retirement pensions whether public or private defined in relation to that.
- From 2015 pensionable age raised in line with longevity growth by a parliamentary decision every 5th year with a 15-year warning and a maximum of one year’s rise. First rise from 67 to 68 to come in 2030 and subsequent foreseen to 69 in 2035, 70 in 2040, 71 in 2045, etc.
- In the long term, average pension duration to be returned to the 14.5 years it constituted in 1995

**2011 *Follow-up to the Welfare Agreement***

- Closing gap elements moved five years forward so entry ages in PP raised from 2019 to 2022 and in VERPS from 2014 to 2017.
- VERPS duration reduced from five to three years from 2018 to 2023 so pensionable age hereafter 64 years.
- VERPS closed to new members, non-retired members encouraged to leave and benefits to be offset against private pension savings.

**2015**

- First confirmation of decision to raise the pensionable age in line with life expectancy: from 67 to 68 in 2030.

**2020 *Indexing confirmed simultaneously with introduction of new access to early retirement***

- Second confirmation of decision to raise pensionable age in line with life expectancy: from 68 to 69 in 2035.
- ‘Early Pension’ for persons with extra-long work records and ‘Seniorpension’ for persons with seriously reduced work capacity introduced to strengthen public support for life expectancy indexing of the pensionable age.

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*Source:* authors

The agreement stipulated that from 2015, the pensionable age would be raised in line with longevity growth by a parliamentary decision every fifth year, with a 15-year advance warning period and a maximum of one year’s increase, so people could prepare for the rise taking effect.

Based on assumptions that longevity growth would result in more healthy years with working ability, the aim of the reform was to ensure that longer lives would entail longer working lives. But the agreement also spoke of stepping up efforts aimed at reducing attrition, improving working environments and work practices, removing age discrimination, and enhancing the employment opportunities of older workers.

Except for the Socialist People's Party and the Red–Green Alliance, all parties signed up to the agreement, which thanks to its 'automatic mechanism' was presented as the future ageing-proofing of the retirement system and the budget. Yet, the Danish People's Party (DPP), which had been brought along with an addendum agreement restricting future immigration, immediately sought to distance itself from this interpretation by underlining that any further rise in pensionable age beyond the already stipulated two years to age 67 would require a new parliamentary decision and thus could not be taken for granted. The other parties called the DPP to order, underlining that the agreement certainly implied that such a decision would follow automatically, provided life expectancy kept growing as projected. Still, the DPP persisted in trying to be both party and opposition to the agreement (Petersen 2014). Whereas unions consoled themselves that the VERPS would be continued, employer associations and most independent economic experts persisted in viewing the VERPS as fundamentally unsustainable and contended that further reforms would be necessary.

The radically innovative, future regulation of pensionable ages brought surprisingly few and remarkably subdued public reactions. A counter narrative articulated by the so-called 'Alternative Welfare Commission' consisting of dissenting academic experts, that since the Danish pension system already was one of the most sustainable in the EU, there really was no fiscal need for further increases in the pensionable age (Andersen 2005), did not gain political traction.

If we are to understand why no general mobilization resulted, we must consider the following. The general pension age had from 2004 been lowered from the long-standing 67 years to 65. Moreover, it was not to begin to increase again before 2024—almost two decades from 2006—which meant that anyone above 47 years—or about half of the big age cohorts—would escape the envisaged changes entirely. Importantly, it was rather easy for all the party leaders to stand tall, for it would not just be for the younger cohorts to bear the brunt of changes, it would also be for future generations of politicians to struggle with the implementation.

## **Phasing out VERPS and Moving Forward Longevity Reform**

### **Financial crisis**

In early 2011, when Denmark was still working through the economic slump that resulted from the global financial crisis of 2008–2009, the centre-right government



of Liberal Prime Minister, Løkke Rasmussen, opted to return to the issue of VERPS and wider pension reform. It argued the necessity of boosting late career employment and lowering costs, by phasing out the VERPS. Over fierce opposition from the political left, the government found a majority with the DPP and the Social Liberals for its proposal for further limiting access to VERPS, while also bringing forward the implementation of the 2006 reform by five years (Petersen and Petersen 2014).

The reform was, however, not legislated before the 2011 election, in which the Social Democrats aligned with the Socialist People's Party campaigned against it but failed to gain a majority of their own. To form a government, they therefore had to convince the Social Liberals to join it. In the ensuing negotiations, the Social Liberals insisted that pension reform be part of the governmental programme. The irony, therefore, was that it fell to the new centre-left government of Social Democrats, People's Socialists and Social Liberals to present and legislate the 2011 reform proposed by the outgoing centre-right Prime Minister (Petersen 2014).

Even though it was brought forward in 2011, the implementation of increases in pensionable age still proceeded slowly: changes to the VERPS would be phased in from 2014 to 2023, the first actual rises in the eligibility age for a People's Pension from 65 to 67 would be gradually implemented from 2019 to 2022, and the first one-year automatic rise to 68 was set for 2030 after parliament in 2015 adopted the first life expectancy growth induced increase in the pensionable age.

The continued 'automatic' rise in the pensionable age found little support in the electorate, but no parties or other actors had managed to organize opposition against it. This was partly because of the grandfathering and partly because the broad coalition behind the original reform agreement did not unravel, despite some disagreement about the phasing out of the VERPS.

### Tamed but not slain

In 2012, the Danish government opted to join the European Fiscal Compact and in national follow-up legislation, a broad majority in parliament supported that the national budget hereafter at the most could show a structural budget deficit of ½ per cent of GDP. This new self-imposed fiscal discipline strengthened the economic arguments for life expectancy indexing, since budget deficits at the height of ageing from 2028 to 2042 would be far above the limit, unless pensionable ages were raised as foreseen in the 2011 reform. Still, in 2016 a centre-right government failed to find a majority for its proposal to raise the pensionable age by another six months by 2025, as the DPP in an unholy alliance with the Social Democrats blocked it.

In 2019, the issue of pension reform was on the political agenda once again. Thus, the 2011 reform had tamed, but not slain the political tiger that the issue of

retirement had become. With a claim that the phasing out of VERPS had unhinged the pension system by leaving people with long strenuous working lives and high risk of becoming prematurely worn-down without a dignified route to retirement, the Social Democrats at the 2019 election campaigned for a new right to an earlier People's Pension. Yet even while arguing their case with rare fervour, they still supported continuing the life expectancy linking of the pensionable life because of its longer-term budget implications. A wide array of pension experts and pundits found the proposal unlikely to succeed. But sixteen months later, the Social Democratic minority government put them all to shame as it managed to conclude parliamentary agreements about two new early retirement schemes—the 'Early Pension' and the 'Seniorpension' (see Table 5.1).

The Social Democratic government at the time of writing sees these schemes as paving the way for a wider public acceptance of the longevity linking of the pensionable age. Accordingly, the new early retirement options were adopted on the same day as parliament decided to raise the pensionable age to 69 from 2035 onwards. The absence of serious protests from major trade unions, which earlier had mobilized against further increases, indicated that opposition indeed subsided with the introduction of these new schemes. The decision to set up a Pension Commission that is to investigate possibilities for easing the indexing mechanism and report in early 2022, probably also helped.<sup>3</sup>

The 2006 reform and its 2011 follow-up have a certain element of politics by stealth, because their implementation would happen so late and so gradually. But even with lots of grandfathering it is surprising how politically successful the reform has been—both in the sense that the original parties to the agreement have stuck by it—and in the sense that no one has succeeded in organizing a popular revolt that could revoke it. Hence, the core tenets of the 2006 agreement still stand and there is a broad majority for its continuation even after the 2019 election and the second change from centre-right to centre-left government. If we are to understand why, we must also take a closer look at the way the Ministry of Finance has become the *de facto* owner and fierce defender of the policy.

### **Programmatic and Political Success, but ...**

Budget stability with a surplus even at the height of population ageing was the overarching goal of the 2006 Welfare Reform. It was to be achieved by expanding the labour supply and employment of older workers. The expectation was that if the pensionable age were raised in line with life expectancy for people aged 60+,

<sup>3</sup> Reporting in May 2022 the Commission's conclusion, that while indexing would need to be continued, its pace in the interest of larger intergenerational fairness could be halved after 2045 without endangering public budgets, was largely met with silence from Ministers, opposition leaders and key policy makers.

it would nudge and gradually force the majority of people to work to higher ages before they retired.

A fairly high degree of success programmatically—and maybe also to some extent in terms of process—has been obtained by the way it has been tied to long-term budget stability and the budgeting of a fiscal room for spending, even at the height of population ageing. A major reason for this type of success is that the Ministry of Finance to great effect consistently has argued that life expectancy indexing not only brings major savings but also extra labour supply, higher growth and more revenue (Finansministeriet 2007, 2017c). Wherefore, the abolition of linking according to ministerial executives would come at such a high cost that it would seriously derail long-term fiscal budgeting (Haagen Pedersen 2020). Thus, anyone questioning the continual increases in the pensionable age have been challenged to come up with some 50 billion DKK in revenue or point to retrenchments of the same order (Finansministeriet 2019a, 2019b). In its calculations, the Ministry largely assumes that the average exit age can be raised in line with increases in the pensionable age (Finansministeriet 2018), and governments of all colours have so far bought this hopeful assumption at face value or bowed to the chicken game. Though the ministry never really investigated the factors affecting retirement, ongoing improvements in activity and employment rates of older workers seemed to give reasonable ground for its optimistic forecasts.

In 2006 early retirement was still entrenched in Denmark. Although the activity and employment rates of older workers had begun to rise from 2000 as a result of changes in the sectoral employment, educational achievement levels and state of health of these cohorts, the 2006 and 2011 reforms have accelerated these developments. In this sense, life expectancy linking has contributed to changes in attitudes, expectations and behaviour. However, whether ‘linking’ over time will continue to materialize the economic benefits hoped for can be questioned, as it is tied to a perpetual ability to raise the average exit age largely in line with the pensionable age. Even if employment rates and exit ages have risen markedly for workers aged 60 to 65, there is no guarantee that similar outcomes can be achieved by workers in their late 60s and early 70s.

### ... Will It Really Work in the Long Run?

What are the consequences of the way the indexing of the pensionable age to life expectancy has been planned and implemented, and how may it affect the performance of the Danish Pension System in the longer run? Although economic benefits of the reform are tangible, the implementation will result in widening intergenerational and social inequities. This, in turn, would undermine the intended de-politicization of pension reform.

## Intergenerational inequities

The very slow way Danish politicians have chosen to implement life expectancy indexing of pensionable ages weakens the beneficial effects in the transition from large to small age cohorts and creates both intergenerational and social inequities.

The increasingly large age cohorts born between 1940 and 1953 escaped the reforms altogether. For them, the pensionable age was even lowered to 65 years. Persons born in 1954 are the first to experience a moderate rise in the pensionable age as an effect of the reforms. The younger cohorts will have to work increasingly longer and receive a pension for ever shorter periods of time, than the pensioners of today, both in absolute and relative terms (Kvist 2019). It can be illustrated by looking at the outcome for men aged 25, 45 and 65 today, who all started their first full-time job at age 25 and will work until they reach the pensionable age. The 65-year-old can look forward to 16 years as pensioner, after 40.5 years of work. For the 45-year-old, pension duration will amount to 15 years after 45 years of work, whereas the 25-year-old will get only 14 pension years after 48.5 years of work.

Other features also contribute to intergenerational inequities. The pensionable age has been linked to the developments in life expectancy, which have occurred since 1995, and the aim is to bring the average duration of pension receipt back to the 14.5 years, it amounted to in that year. In connection with the late implementation, this objective implies that the rise in the pensionable age must be particularly large.

## Class and gender inequities

Successive governments have been fascinated by the way restrictions of access to early retirement appear to have underpinned the structural trend towards significantly higher employment rates of older workers and rapidly rising exit ages. Politicians and other pension policymakers have, in fact, come to think of pension reforms as the key means to influence the working and retirement patterns of older workers (Finansministeriet 2017a, 2020). What started as successful efforts to reverse a long-standing fall in effective exit ages and limit the cost of early retirement has evolved into a major concern about countering the negative impacts of ageing by expanding the labour supply of older workers (Jensen and von Nordheim 2020). Life expectancy linking of the pensionable age is seen as an ideal instrument of perpetual reform with which to increase the workforce, to improve the economic outlook for the pension system, and to secure a fiscal surplus through larger savings and higher tax revenue.

Rising life expectancy caused by better medical treatments for people in their 80s and 90s (Lunenfeld and Stratton 2013) does not translate automatically into prolonged capacity to work for everyone. If the pensionable age keeps rising as

currently foreseen, major new income inequalities in old age are likely to result from a growing gap between effective exit ages and the statutory pension age. Increasing segments of workers will come to find that their workability is seriously ebbing before they qualify for a pension. Consequently, they will have to find a means for early retirement. If they are seriously worn down, they may qualify for the new Seniorpension (see Table 5.1). If they have started in the labour market as teenagers, they may acquire rights in the Early Pension scheme. But a large group will be compelled to turn towards their pension savings, which can be drawn three years prior to the pensionable age. Covering their income needs in the years until they become eligible for the public pension will deplete major parts of their savings. Hence, as old age pensioners their income from occupational and personal pension savings will be substantially lower than planned. Moreover, income inequalities between them and people who can continue working until the pensionable age, will explode.

There will be class as well as gender dimensions to the new inequalities. Lower-skilled, lower-paid women and men will be more likely to have difficulties prolonging their working lives in line with the pensionable age. Among these, the occupational pension savings of women are likely to be lower than those of their male colleagues. As an increasing part of Danish wage earners are likely to have to retire before they reach the perpetually increasing pensionable age, the expected economic benefits will also reduce. A rising amount of the hoped-for contributions to GDP and tax revenue will evaporate. Also, as people with low savings flow onto whichever scheme will help them survive until they can claim a pension, the cost of unemployment benefits, sickness benefits and social assistance will go up.

In the longer run, life expectancy indexing is therefore set to become less of a budget booster and more of a challenge to the fairness and social sustainability of the Danish pension model. A challenge which even centre-left governments so far are at a loss to overcome, as they have based their mid- to long-term fiscal planning on the hopeful expectation of a continuous rise in effective exit ages.

### Successful de-politicization?

The indexing with life expectancy also aimed at de-politicizing increases in the pensionable age. As each adjustment requires a parliamentary decision, this has only partly been achieved. While the parties to the 2006 agreement have bound one another to continue implementing the indexing, controversial political debate about these issues can hardly be avoided. Since the implementation for long was so far away, initial public reactions were muted. But now the first increases are taking effect and attention to the coming ones has become widespread, the situation is profoundly changed.

The 2011 reforms and the relative quiet on the pension front thereafter left the impression that the early retirement question had been fully settled. But it is now clear, that this is not the case. Since the Social Democrats in the run-up to the 2019 election vowed to introduce a new pension right for people with many demanding working years, the issue of a dignified earlier retirement for people with diminishing workability has been burning hot.

The third Lars Løkke government tried to pre-empt the Social Democratic proposal by striking an agreement with the Social Liberals about a new health-tested Seniorpension. The hope was to repeat the hat-trick from 2011 of getting the Social Liberals to force a likely Social Democratic government to legislate the Seniorpension and abandon their own ideas about a rights-based Early Pension. But the Social Democrats that carried the election in 2019 formed a minority government without the participation of the Social Liberals. Helped by major public support for better access to early retirement for worn-out workers, the Social Democratic Party subsequently engineered a majority for their proposal for Early Pension as well as an improved version of the Seniorpension.

The dilemma for the Social Democrats was that they also, for budgetary reasons, vowed to stand by the agreement to raise the pensionable age another year to 69 by 2035. The heated debate about the need for Early Pension alerted broad segments of the public to how late in life they could expect to qualify for retirement, causing growing concern ([Altinget 2020](#)). However, though one of the parties on which the Social Democrats base their minority government and several major unions sought to mobilize against further increases, this failed. On the last day before the Christmas holiday in 2020, when the second Covid lockdown took all attention, parliament quietly adopted the new rise in the pension age with the votes of all parties to the 2006 agreement and the proposals for Early and Senior Pension with the votes of the centre-left parties and the DPP. Though hardly de-politicized, the pensionable age continues to be regulated by the (semi-)automatic mechanism established in the 2006 agreement.

### **The Anatomy of Reform Success**

Life expectancy indexing affects the functioning of late career labour markets and the retirement behaviour of hundreds of thousands of ageing workers, but the primary reason for its establishment and continuation is its twofold expected economic effects. These are, first, great increases in savings and revenue and thereby much larger potential for budget surpluses, and secondly, stabilization of economic growth through fewer reductions in labour supply and employment. It is therefore hardly surprising that the Ministry of Finance has become custodian of the policy and evolved into its most insistent peddler and defender. At the micro-level, an explanation of the strong engagement can probably also be found in the

fact that the head of the Welfare Commission's secretariat for the last decade has served as Deputy Permanent Secretary in the Ministry. Irrespective of whether governments lean to the right or the left, the Ministry of Finance can be relied on to explain why 'linking' must be continued. And obviously, all governments have an interest in policies that constructively help stabilize public budgets and maybe even generate surpluses that can be used for other purposes.

A special constellation of parties, motivations, and half diversions (such as the simultaneous reform of VERPS) enabled the 2006 agreement to be struck against many odds. But it would probably not have taken off, if it had not been devised so that it—apart from some aspects of the VERPS—concerned changes in a far future, some 15 to 20 years later. Indeed, even after the grandfather clauses had been shortened by five years in 2011, the automatic increases were still about some fairly far future. That kind of helping hand was no longer so much at work when in 2019 and 2020 the Social Democrats and the Liberals fought over whether better access to early retirement for worn-down workers should be rights based, or health tested. The entry age in the VERPS had already been raised from 2014 to 2017 and the 2019–2022 increase in the eligibility age for a People's Pension from 65 to 67 was well under way. Moreover, projections showing when different age cohorts could expect to retire under the life expectancy indexing regime were then widely available. Finally, popular opposition was being organized on a scale and with a determination not seen previously. Still, with the decision to raise the pensionable age to 69 in 2035, the indexing principle persevered. Despite her passionate propagation about the need for a right for worn-down workers to an Early Pension, for the Social Democratic Prime Minister, Mette Frederiksen (2019–), it was the long-term budget arguments that won the day and motivated her decision to implement the expected increase for all others.

In 2025, when the increase to 70 years in 2040 must be endorsed politically, the situation will have changed further. As the bourgeois parties have vowed to terminate the right based Early pension, retirement is bound to figure prominently also in the 2023 election and potentially threaten the coalition behind the 2006 reform. Since the pensionable age will be back at 67 and the increase to 68 only five years away this could give better ground for opponents of further increases. Yet, while the Pension Commission has been unable to ascertain to what extent workability at higher ages can be expected to follow from increases in average life expectancy, it has underscored that the present indexing will have to be continued at least until 2045 and even then considerable economic costs will follow from a more gradual regulation thereafter. The economic implications of accelerating ageing will likewise be more clearly felt in the mid-2020s. Meanwhile, the numbers and costs for the take-up of Early and Senior Pension, which are likely to be much higher than foreseen, will be available. Despite the likelihood of higher and stronger public opposition, the parties to the 2006 agreement will in the end have

strong economic reasons for continuing the life expectancy indexing. The chances of policy endurance are therefore deemed to be more than fair.

### **Conclusion: A Precarious Success?**

When we set the case of Danish pension age indexation against the PPPE-criteria it comes out as at best a partial success. In fact, using McConnell's (2010) success–failure continuum we qualify it as a 'precarious' success: momentarily fungible but over time at significant risk of collapsing programmatically and/or politically.

Its strongest suit is programmatic: despite its design weaknesses, it seems set to neutralize a big part of the impact on pension expenditure and labour supply of ongoing longevity growth. Even if only implemented with considerable delay, it has been aimed at addressing the main period of ageing-generated budget deficit. Indeed, the decisions to raise the pensionable age have already covered more than half of the period in which the budget deficit will be particularly pronounced. Maybe life expectancy indexing could be seen as a successful policy in the sense of 'the art of the possible': in order to be established and take off against many odds the policy was bound to have some in-built mechanism to relieve political pain—delayed implementation.

Still, for it to warrant the label 'complete programmatic success', its implementation should have started closer to the actual decision. With big differences in conditions for age cohorts retiring in different decades, the policy would seem to do just what it claimed to want to avoid: passing the bill primarily to future generations. If the early baby-boomers had taken their own medicine, the pensionable age could have been brought to 67 in the early 2010s and indexing could have started from 2020. If a pension age of 68 had been reached in 2020, indexing could also have been eased thereafter. The idea of a 15-year warning period may seem to install a prudent culture of preparing for the future, but it also functions as a grandfather clause. In other words, in terms of intergenerational equity, the policy is rather far from a success. Regulation after developments in average life expectancy also raises the prospect of class inequity: through blanket indexation the retirement age for unskilled manual workers—whose life expectancy is six to eight years lower than university graduates and 10 years lower than high-SES people—is swept along with increases in the much longer lives of these other groups.

Moreover, it is exactly because of the late full implementation that the application of the regulation becomes rather harsh. The aim of returning the average duration of pension receipt to the 14.5 years it was in 1995 is both too coincidental and too harsh. It forces the regulation to seek to catch up and leads to a higher pace of indexation rises than would be necessary, even seen from the perspective of economic sustainability. By comparison: the Dutch version of life expectancy



indexing aims for an average duration of 18.5 years. The one-to-one reflection of rising life expectancy is also rather strict. In the Portuguese version, the pensionable age is only raised with two-thirds of the rise in life expectancy. One can only hope that further study of these examples from other countries may inspire policy learning in Denmark<sup>4</sup>.

When around the turn of the millennium pension reform seemed blocked in many countries, international reformers spoke of the need to ‘lash politicians to the mast’ so that their willingness to implement the necessary reforms would not be led astray by the ‘siren songs’ from opposing forces (see e.g. [Brooks and Weaver 2005](#)). In that sense, the Danish policy of life expectancy indexation can be seen as a political success, in that Danish policymakers somehow had the wherewithal to break the policy deadlock and enact an indexation reform at all. We have argued that it was initiated against many odds and in that sense, there were elements of coincidence and improvisation to its birth. But as it was appropriated by the Ministry of Finance, it also comes across as a reasonable success by design. Moreover, its architects and supporters have stood by it and have continued to implement it as planned, despite growing public opposition. It seems that it was possible to achieve because the main political focus has been on rights for retiring early, rather than indexing the pension age with life expectancy. This is because in the former, more radical decisions were made rather fast, in a politically turbulent period amidst the financial crisis in 2011. Although from 2022, there are now options to retire early, they are still more limited. The latter has been possible as it was hidden among other reforms, and when adopted, was to be implemented in the future.

### Questions for discussion

1. Should life expectancy indexing simply be understood as an element in the necessary policies which all responsible political parties—and countries—must pursue?
2. Can life expectancy indexing of the pensionable age be seen as a policy success even though it does not meet all the criteria of the PPPE-model?
3. Should selective early exit schemes like the Danish Senior Pension and Early Pension be seen as preconditions for the continuation of universal life expectancy indexing rather than a break with the principles of working longer as people live longer?
4. Are there biological or social boundaries to how much the pensionable age can be raised if average exit ages are to rise in the same proportion?
5. What role should intergenerational justice play in pension reforms?

<sup>4</sup> The Pension Commission’s suggestion for indexation at half the pace after 2045 would a.o. involve that indexing is shifted from 1:1 to 0.8:0.2, i.e. one extra year would only raise the pensionable age by 9.6 months whereas the remaining 2.4 months would increase retirement.

## Links to online resources

Finansministeriet. 2017. Det danske pensionssystem nu og i fremtiden, Copenhagen: Ministry of Finance:

<https://fm.dk/udgivelser/2017/juni/det-danske-pensionssystem-nu-og-i-fremtiden/>.

Finansministeriet. 2019. Teknisk briefing om pensionsalder. Copenhagen: Ministry of Finance:

<https://fm.dk/media/16736/Tekniskbriefingompensionsalder.pdf/>.

See also the websites on public pensions by the European Commission: (<https://ec.europa.eu/social/main.jsp?catId=752>) or the OECD (<https://www.oecd.org/pensions/public-pensions/>) and references below to their flagship publications, that is, the triannual *Pension Adequacy Report* and the biannual *Pensions at a Glance*.

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# 6

## Cancer Treatment Policy in Denmark

*Peter Triantafillou*

### **From Laggard to Part of the Peloton**

During the early 1990s, it became increasingly clear to the medical community and the public health authorities in Denmark that cancer treatment there was lagging behind most other Western European countries. Epidemiological studies revealed that the morbidity of most cancer diseases was remarkably high in Denmark ([Dansk Institut for Klinisk Epidemiologi 1993](#)). While the medical community called for more attention to cancer treatment, it took the political system some time to respond coherently to this situation. Following, a series of ad hoc interventions during the 1990s, a political momentum accumulated by the end of the decade resulting in a series of systematic cancer plans culminating in 2007 with the implementation of the so-called procedural packages ('pakkeforløb'), a set of standardized organizational procedures for improving treatment flow and reducing bottlenecks and waiting times covering the most common forms of cancer ([Sundhedsstyrelsen 2019](#)).

The first cancer plan, adopted in 2000, focused on an epidemiological mapping of the prevalence of the various forms of cancer in Denmark compared to other Nordic countries. This mapping showed that Denmark was lagging significantly behind its Nordic neighbours. The plan also included measures to enhance treatment capacity. The second cancer plan from 2005 introduced the notion of the procedural packages, which were finally adopted in 2007 ([Regeringen og Danske Regioner 2007](#)) and rolled out nationally during 2008/09 ([Jørgensen 2018: 105](#)). These packages combined with additional funding constitute with little doubt one of the most important improvements in cancer treatment in Denmark for several decades. Cancer plan 3 from 2010 aimed at further improving treatment flows by focusing on the phases prior to and following diagnostics and hospital treatment. This included early tracking, rehabilitation and palliative care. Finally, the current Cancer plan 4 introduced in 2016 basically seeks to consolidate the former plans by strengthening prevention and improving diagnostics and treatment flows.

This chapter will first map the story of the step-by-step improvement in Danish cancer treatment since the late 1990s. It will then explore the content of these interventions and analyse the political processes leading to their adoption and implementation. It will focus on the role of key political actors, such as the Danish

health authority, the Danish Regions and the Danish Cancer Society. The chapter will be based on three types of documents published in the period from around 1990 to 2020: policy documents issued by the Danish Health Authority and the Danish Regions; medical documents issued by various medical researchers; and public debate articles published in the medical journal *Dagens Medicin* and the national newspapers.

I will argue that Danish cancer treatment policy is a *programmatic success* that met policy ambitions, though it is also a case of ‘relative success’, akin to a cyclist who at the early stages of the race has fallen behind who manages to bring themselves back into the race by catching up with the peloton (on degrees and relativity of policy success, see [McConnell 2010](#)). On the whole, it is also a *process success* in the sense that the policy saw the emergence of an enduring coalition of state, regions, patient organizations and health professionals around the goal of improving cancer treatment. Only, very recently, do we find a few actors in this coalition questioning whether or not the strong focus on cancer policy may be crowding out the attention to other diseases. Finally, it can be considered an *enduring political success* as the costly cancer plans have enjoyed widespread and sustained parliamentary and popular support.

## Combatting Cancer in Denmark

### Historical and institutional context

Denmark is usually regarded as belonging to the Nordic welfare state type ([Esping-Andersen 1990](#)). If there are cracks in this ideal, which there certainly are, then politicians are expected to fill in these cracks. Thus, even the right-wing parties, of both liberal and conservative bent, have realized that the road to political power in Denmark goes via the confession to the welfare state. This has been particularly clear since 2001, when the Liberal Party came into power after explicitly rejecting its previous state phobia and market-oriented celebration in favour of a strategy accepting the welfare state, though with the clear ambition of streamlining its efficacy.

Since the early 1990s, the Danish economy has been strong with positive trade balance, low unemployment and low public deficits. Thus, at the face of it, the cancer treatment reforms have taken place in an exceptionally favourable economic context. However, at the same time, the growing influence of neo-liberal ideas in the shape of fixed monetary policy and restrictive fiscal policies from the late 1980s onwards meant that shifting Danish governments—of both the right-wing and left-wing bent—were constantly concerned, if not obsessed, with controlling and reducing public budget deficits and long-term public debt. In institutional terms this meant that the Ministry of Finance was granted exceptionally strong influence

on welfare policies, principally regarding the allocation of resources, but on some occasions also regarding their design. The same period also saw a government situation conducive to public-health investments. From 1993 to 2001, Denmark had a Social Democrat–Social Liberal government alliance and from 2001 to 2014 a Liberal–Conservative government alliance. The Liberal politician, Lars Løkke Rasmussen, who first served as Minister of Health and later as Prime Minister (2009–2011, 2015–2019), had a long-standing interest in securing an effective but also high-quality health service.

The Danish healthcare system is mainly statist, driven by government financing and regulation, though with a large share of privately provided (but publicly financed) primary healthcare (Wendt, Frisina and Rothgang 2009). The political-administrative structure of the Danish public health system has important implications for politics of cancer treatment. On the one hand, the overall responsibility for the public-health sector rests with the Ministry of Health and its key agency, the Danish Health Authority. On the other hand, the responsibility for managing the hospitals rests with the regions. This divided responsibility creates fertile ground for blame games: the central government points to the regions for inadequacies in the health services, whereas the regions point back to the central government for the lack of adequate funding. The 2007 structural reform, which merged the 14 counties into five larger regions and took away their tax-collecting rights, did not significantly change this game. Yet, the merger into larger regions may very well have eased the process towards closing smaller hospitals and concentrating cancer treatment in the largest hospitals. The latter concentration was seen by many medical professionals as necessary for improving the quality of cancer treatment.

### Policy challenges

The high levels of cancer rates and relatively low treatment success rates became very clear during the 1990s through a series of epidemiological studies by the Danish Institute for Clinical Epidemiology (Kjøller et al. 1995). Systematic comparisons with other Nordic and European countries made it clear that Denmark had a problem that did not resonate well with its welfare state image (Sundhedsministeriet and Dansk Institut for Klinisk Epidemiologi 1998).

The policy challenge was two-fold. Firstly, the incidents or prevalence of certain forms of cancer, notably lung cancer but also breast cancer, was much higher in Denmark than in comparable countries. Secondly, the survival rates for all the major forms of cancer were substantially lower in Denmark than in comparable countries. This last fact proved particularly embarrassing for all those politicians who liked to boast of the merits of the Danish welfare state, including its free of charge public-health services. Thus, both the Liberal Party and the Social Democratic Party, the two traditional government parties, recognized in the late 1990s

that something was wrong and action had to be taken in order both to reduce the prevalence of cancer as much as possible, notably lung cancer, and to improve survival rates by improving the treatment efficacy of the health services.

### Key actors

Apart from the political parties, notably the Liberal Party and the Social Democrats, three other public actors and several private actors were crucial to the policy process. The three key public actors were the Danish Health Authority, the Danish Regions, and the Ministry of Finance. The Danish Health Authority is placed under the Ministry of Health and provides medical advice to ministries, regions and municipalities. It develops and evaluates the quality of health services and preventive actions. It also formulates rules for the authorization of health-staff education. In brief, it is the operative arm of the Ministry of Health in all key public-health issues, except approving pharmaceutical products. It has been a key player in designing the cancer plans and providing the rules and regulations necessary for their implementation.

The Danish Regions is an association representing the five Danish healthcare regions. They have several tasks, but running the public-health services is by far the most important one. In particular, the regions are in charge of the daily operation of the 60 odd public hospitals in Denmark. They are also responsible for making collective agreement on payment and other issues with the medical doctors, whether GPs or specialists, operating around the country. Thus, the regions are the operational hub of all screening, curative and rehabilitation services catering to cancer patients. It is worth noting that in 2007, when the 14 counties were transformed into the current five regions, they lost their authority to collect taxes. Thus, they became entirely dependent on the central government, notably the Ministry of Finance, for the funding of their operations.

This leads us to the third public actor, the Ministry of Finance. Since the mid-1990s, the Ministry of Finance has become increasingly influential in the public administration. After having delegated most of its operational tasks to other ministries, it is now concerned wholly with long-term economic strategies, the efficiency of the public sector by pushing performance management and measurement systems, and the negotiations over the allocation of public money. Every spring, the Ministry of Finance engages in so-called negotiations with the Danish Regions on their budget and also on what the money are to be spent on. The Danish Regions really have very limited, if any, leverage in these negotiations and mostly have to accept the budget proposed by the Ministry of Finance, which for the last three decades has been strongly focused on budgetary discipline and control, something exacerbated by the Budget Law adopted in 2010. Still, the Ministry of Finance is obviously subservient to the political goals of the ruling

government, such as the decisions during the 2000s to vastly expand the budget for cancer treatment.

Several private actors contributed importantly to the policy process, notably, the non-profit Danish Cancer Society, the Patient's Association and various medical professional associations. Of these, there is little doubt that the Danish Cancer Society has been the most influential one and, therefore, it deserves a brief introduction: It is likely the most powerful civil society organization in Denmark (Løppenthin 2017). It musters more than 400,000 members, almost 700 employees, and a turnover of 750 million Danish kroner (100 million Euros). Around 60 per cent of its budget is devoted to cancer research conducted either by funding other Danish oncologists or by its own research centre which is staffed by highly qualified researchers (Kræftens Bekæmpelse 2020). The Danish Cancer Society is able to present policy proposals based on cutting-edge scientific analyses of the cancer problem at both individual and population levels. These capacities have been systematically mobilized since the 1990s in a tireless campaign targeting the shifting Danish governments with a view to improve cancer treatment. Finally, it is worth noting that Arne Rolighed, a political scientist, who worked as the director of the Danish Cancer Society from 1999 to 2009, had a one-year leave from the post as director (2000 to 2001) in order to serve as the Minister of Health. Thus, in the formative period of the new cancer treatment policy, the Danish Cancer Society was headed by a person with intimate knowledge of and contacts with the Ministry of Health.

The other private actors largely supported the Danish Cancer Society's call for the reorganization and expansion of resources allocated to the area of cancer treatment. However, as we shall see (in the section titled 'Political success') as more and more resources were allocated for cancer treatment, parts of the medical community, for example Lægeforeningen (the doctor's association) and Danske Patienter, (the Patients Association), started expressing concerns over the lack of resources to general medicine and the treatment of psychiatric and chronic lifestyle diseases, something they partly linked to the strong political attention to cancer (and heart diseases) treatment.

## Policy Design and Choice

### A sequence of comprehensive plans

Danish cancer treatment was gradually but substantially changed from around 2000 to the mid-2010s via the four successive cancer treatment plans. The design of these plans was informed and their implementation monitored by a steering group led by the Danish Health Authority (also known as the National Board of Health). The steering group held around 25 to 30 members representing the Ministry of



Health, the Danish Regions, the management of some of the largest hospitals, the Danish Cancer Society, the State Institute for Public Health, and several specialized medical societies dealing with cancer treatment (Sundhedsstyrelsen 2000: 7). It should be noted that the Danish Cancer Society participated as the only patient interest lobby group.

The cancer treatment plans took a comprehensive approach from the outset that included preventive action, screening programmes, referral procedures, the planning of diagnostics and treatment flows, expansion of state-of-the art treatment technologies, rehabilitation and palliative care (Sundhedsstyrelsen 2000: 13–19). This comprehensive approach constituted a real innovation in the Danish cancer-treatment regime, which until then had been neatly compartmentalized by GPs, hospitals (and their various departments), and various medical professions; the cooperation between these compartments had not been systematic at all.

### Evidence-informed design and adjustment

Apart from delineating a comprehensive design approach, the key contribution of the first cancer treatment plan adopted in March 2000 was to further specify the prevalence and survival rates of various cancer types and to identify the main areas for improving treatment practices. It also reiterated earlier proposals for centralizing diagnostics and, in particular, surgical treatment at larger hospitals in order to ensure that all patients received the best available treatment and to enable economy of scale regarding the use of expensive radiation technology (Sundhedsstyrelsen 2000: 68, 72, 84). This centralization process gradually took place over the next two decades, bolstered by the comprehensive structural reform whereby counties and municipalities were merged into larger units in 2007 (Indenrigs- og Sundhedsministeriet 2004). Though speculative, it does seem as if the reduction of regional units from 14 to five has eased political disagreements over the selection and placement of a limited number of specialized cancer diagnostic and treatment centres.

Cancer Plan II from 2005 focused on improving the organization of the patient treatment flow, which resulted in the later preparation of package courses for cancer. It also focused on tobacco prevention and the strengthening of cancer surgery (National Board of Health 2005). Two years later, the National Board of Health conducted a review of the current Danish treatment practices (Sundhedsstyrelsen 2007). This review pointed to the need for intensified efforts in package care, cancer surgery, clinical guidelines, monitoring, coherence in patient care and further interventions to reduce tobacco consumption. Following an intensive campaign by the Danish Cancer Society, the government decided to adopt the cancer packages, see the next section. These packages implied that the managers of hospitals and the relevant hospital departments step up their efforts to fully institutionalize the

optimum treatment procedures and, not least, reduce waiting times for diagnostic assessment and treatment. That same year, 2007, parliament adopted the smoke-free environment regulation, which essentially prohibited indoor smoking in all public spaces and public transportation (Folketinget 2007).

The third cancer plan entailed a parliamentary decision to strengthen cancer treatment above all by improving measures before and after patient examination and treatment (Regeringen, Dansk Folkeparti and Kristendemokraterne 2010). The aim was to speed up diagnosis of suspected cancer and strengthening of early detection, improve follow-up with a significant boost in rehabilitation and palliative care, and increase survival for cancer patients and improve their quality of life before, during and after treatment. Whereas the previous Cancer Plan II had focused on boosting screening programmes and streamlining and shortening diagnostic and surgical treatment, the Cancer Plan III took a more patient-oriented approach in that it focused on improving the quality of life for patients early on in the treatment process and afterwards. Accordingly, patients and their relatives were invited into a special reference group in the spring of 2010 in order to provide input to Cancer Plan III, which was implemented at the end of the year (Sundhedsstyrelsen 2010).

The most recent Cancer Plan IV—also called the Patients' Cancer Plan—essentially took up the cue from the previous plan by focusing on the patient's quality of life and experience of the treatment process (Sundhedsstyrelsen 2016). This entailed having only one doctor following each patient, consulting the patient and her interests in the design of the treatment process, and targeted plans for young persons. Apart from this, the earlier efforts of further streamlining diagnostic and curative treatment were continued.

### Agenda-Setting and Decision-Making

The adoption of the first Cancer Plan in March 2000 was preceded by comprehensive and protracted critique of the poor Danish cancer treatment. This critique mounted in spring 1998 when several medical professions pointed to the low survival rates of Danish cancer patients compared to Norway and Sweden (Brincker 1998; NN1998). In order to accommodate this critique, the Social Democratic Minister of Health, Carsten Koch, established the steering group for cancer treatment under the auspices of the Danish Health Authority in June 1998, with the purpose of improving Danish cancer treatment ('Udvalg skal kulegrave kræftbehandling' 1998; Grund 1998). The Danish Cancer Society became a member of the steering group where it pointed to the need for reducing waiting times in cancer treatment. ('Kræftens Bekæmpelse kræver bedre forhold for kræftpatienter' 1998; Hannerup 1998). This point was shared by the steering group that provided advice to the Danish Health Authority until 2015 when it was

replaced by the latter Authority's board for cancer. Between 1998 and 2015, the steering group served as the Danish Cancer Society's prime channel for influence on the political process (Jørgensen 2018: 102).

Following the recommendation of the steering group, the Danish Health Authority issued a series of maximum waiting-time guidelines for diagnostic and curative treatments to be implemented by the counties responsible for the hospitals. However, a national survey conducted in the fall of 1998 showed that many counties/hospitals were very far from meeting these guidelines (Felsby 1998). The county politicians and the hospital directors argued that they simply did not have the economic resources necessary to meet the guidelines, and that reallocation within existing budgets would imply that other diseases would not be treated (Jessen 1998). Throughout 1999, the national newspapers kept writing critical stories about cancer patients who had to wait much longer for treatment than prescribed in the guidelines issued by the Danish Health Authority and who died as a consequence (H.F. Nielsen 1999). Finally, the epidemiological cancer study authorized by the cancer steering group in 1998 was conducted jointly by the Danish Cancer Society and the Danish Health Authority and its findings were fully quoted in the first cancer plan (Sundhedsstyrelsen 2000: 26–59).

In sum, the adoption of the first cancer plan was preceded by a very strong pressure on the government and the counties to improve cancer treatment throughout the country by bringing down waiting times for diagnostics and curative treatment, notably radiation technology, all of which required additional funding to the area.

Interestingly, the second cancer plan adopted in 2005 was not preceded by any significant media attention, even if an evaluation of the first plan showed that there were still significant problems, such as unclear responsibility for ensuring the individual patient flows, long waiting times, and insufficient scanning capacity (Sundhedsstyrelsen 2004). Similarly, a comprehensive epidemiological cancer study showed that the prevalence of all major cancer types remained higher in Denmark than in the other Nordic countries, and that survival rates remained lower (Sundhedsstyrelsen 2005). In May 2006, the Cancer Society submitted a 19-page evaluation of Danish cancer treatment, criticizing both the continued high prevalence of lung cancer due to inadequate tobacco regulations and the poor survival rates for cancer patients due to inadequate diagnostics and curative treatment capacities ('Behandlingen af danske kræftpatienter foregår i sneglefart' 2006).

Initially, this evaluation did not mobilize any political attention. Then, in November, a 50-year old woman suffering from throat cancer went on national television. She had waited not the ordinate four weeks, but 11 weeks to be treated, with the consequence that the cancer had spread fatally. The woman convinced her daughter to take her to the news studio the national broadcasting service, Danish Radio (Ehrbahn 2017). During prime-time news, she got to talk directly to the Minister of Health, Lars Løkke Rasmussen, about the long, real waiting times

and their consequences. She died two weeks later. This story was taken up by all the national newspapers with the basic story that the Cancer Plan II had failed to streamline treatment flows and reduce waiting times for curative treatment (Drachman 2006; Lohse 2006; Krogh 2006). Only one month after this media critique, the government decided to allocate an additional 102 million DKK to the area ('Ekstra millioner til sygehusene' 2006; Green-Pedersen and Stubager 2010: 332).

In order to further spur political and public attention to the need for institutionalized and long-term improvement in cancer treatment, the Danish Cancer Society and the Danish Multidisciplinary Cancer Groups (a body of medical professionals in charge of formulating clinical guidelines for cancer treatment), organized a large conference at the Danish parliament in March 2007 (Jørgensen 2018: 103). The organizers presented strong medical evidence that the current waiting times were causing unnecessary deaths among cancer patients, and they argued that waiting not based on clinical reasons was simply unacceptable. In brief, cancer was to be regarded as an acute disease, demanding immediate diagnosis and treatment, not a chronic one.

This message rapidly gained broad political acceptance. The head of the Danish Regions, Bent Hansen, demanded that the government allocated sufficient resources to enable the regional hospitals to examine patients within 48 hours of the first indication of cancer (ibid: 104). In the autumn of 2007, additional government funds were allocated to boost radiation capacity (Sundhedsstyrelsen 2007: 10) and, more importantly, it was decided to adopt the so-called cancer packages, which substantially sped up and improved diagnostic procedures and curative treatment by the end of the 2000s (Pedersen 2009). Finally, smoking in all publicly accessible buildings was banned. Thus, after an insider strategy only directly targeting the Danish Health Authority with relatively modest results, the Cancer Society opted—successfully—to supplement this with an outsider strategy involving the major national media outlets.

From 2007 onwards, the battle for better cancer treatment seems largely to have been won. Moreover, the development of better cancer treatment remained relatively high on the political agenda. At least, the two ensuing cancer plans from 2010 and 2016 worked to consolidate the preceding improvements in curative practice and to further develop preventive measures and, not least, the life quality and functional capacity of cancer patients. Also, while the Danish Cancer Society remained very active in the cancer steering group under the Danish Health Authority and regularly commented on the state of the cancer treatment in the national media (e.g. H.F. Nielsen 2009), it rarely came out with the trenchant critiques they had issued previously (for an exception, see S.B. Nielsen 2010).

It would be simplistic to characterize the relations between the actors supporting the improvement of Danish cancer treatment as a single dominant coalition. At least, efforts to push for better treatment during the formative period from the

late 1990s to around 2007 were undertaken by an array of actors with often rather different and shifting interests. And yet, the cancer steering group under the auspices of the Danish Health Authority did constitute a loose policy network that contributed importantly to the formation and the consolidation of the new policy. Formed in 1998 by the Minister of Health it effectively stood behind the formulation of all the ensuing four cancer plans. Its broad membership by national and regional authorities, several medical professions and, not least, the Danish Cancer Society meant that it was able to feed high-level expertise and patient interests directly into the political process.

Obviously, the outcome of the group's work depended on convincing successive national governments and regional council politicians of the need to improve policy and, not least, allocate substantial additional funding for the area. At no time could this political will be taken for granted. One of the obstacles for improving the cancer treatment was, and still is, the division of the responsibility for the health services between the Ministry of Health and the regions. There have been several instances of blame-gaming in the policy process where the central government and the regions have blamed each other for the many reports of malpractice and inadequate treatment (Mulvad 1998). Another obstacle has to do with partially conflicting interests between the medical profession and the Danish Cancer Society. While both agree that more resources should be allocated to the area, the oncologists and other health professionals have at times felt that their treatment procedures received unfair criticism from the Danish Cancer Society ('*Kræftens Bekæmpelse under skarp kritik*' 2010).

### Implementing the Plans

The period after 2007 was above all characterized by implementing and further consolidating the expectations and goals formed in the previous 10 years, even if this period also saw important additions to the policy scope. Allocating additional funding has been a crucial part of the implementation process. However, it is very difficult, if not outright impossible, to assess just how much extra money was allocated to cancer treatment in the said period. Such an assessment is particularly difficult because overall funding is decided by the government, whereas the specific funding allocated for cancer treatment is largely if not wholly decided by each of the regions. Still, judging from the agreements made between the Ministry of Finance and the regions and the public statements made by heads of the individual regions, there can be little doubt that the area has received substantial additional funding during the 2000s (e.g. H.F. Nielsen 2004; Straarup 2005; 'Danmarks budget er klar: Ny finanslov for 2014 uden større dramatik' 2013). For example, the Ministry of Finance allocated 0.5 billion Danish kroner for the implementation of the first cancer plan alone (Ellegaard 2000). Even in the wake of the 2008 financial

crisis, the cancer area was provided with additional central government funding (Regeringen and Danske Regioner 2010).

Notwithstanding this allocation of additional funding, both the Cancer Society and the Regions have regularly called for more resources. This call for more money may not be so surprising, both organizations have a clear interest in boosting public funding for cancer treatment. But perhaps they really have a valid point. At least in 2009, following a decade of novel investments, Danish expenditures on cancer treatment amounted to 2 per cent of the total health expenditures, half of the EU average of 4 per cent (Luengo-Fernandez et al. 2013: 1167). Moreover, the National Audit Office criticized the government and the regions for not providing convincing documentation of how and to what extent the 6.8 billion Danish kroner allocated between 2007 and 2010 to improve cancer treatment had resulted in significant improvement of treatment and reduced waiting times (Rigsrevisionen 2012).

Apart from unsurprising calls for more money, policy implementation was hampered by somewhat surprising factors that had little to do with funding and more to do with inability to change and optimize existing treatment processes. Thus, a comparative evaluation of the procedures for cancer diagnostics and treatment showed large and—in strictly medical terms—inexplicable differences between counties and hospitals (Kjellberg et al. 2007). On a speculative note, it seems that these differences had more to do with oncologists and department managers being seeped in established routines than with evidence-based practice.

At any rate, many of these differences were gradually removed as the second cancer plan urged counties and individual hospital department managers to streamline their treatment procedures in line with what came to be seen as best—or, at least, better—cancer treatment practice (Vinge et al. 2012: 59–60; Albinus 2013). Thus, by 2008/09 all five regions had established two to five diagnostic centres to speed up the diagnostic process. By 2012, they were expanded to systematically cater to citizens with unclear symptoms in order to clarify whether or not they had cancer (Kræftens Bekæmpelse 2017). Evaluations of the diagnostic processes by the Data Health Authority showed that the waiting times, both for diagnostic assessment and curative treatment, fell substantially during the mid-2010s (Sundhedsdatastyrelsen 2017).

## Assessing the Danish Approach

### Process success

The preceding reconstruction of the design, choice and implementation processes indicates that notwithstanding the complexities of prioritization, resource allocation and aligning all key stakeholders behind the approach, the process by

which the cancer treatments plans came about can be rated positively overall. The approach was informed by evidence, transparent, and inclusive of the key interests. It enabled the building of a broad cross-sectoral and intergovernmental coalition in which any residual disagreements were resolved pragmatically. Let us now examine whether these processes yielded programmatic and political success.

### Political success

In general, there has been quite strong political support for improving cancer policy. However, as already indicated, it took quite some time before government politicians went from mainly paying lip service to the need for improvement to actually allocating the substantial economic resources needed to effectively cut down waiting times and boost treatment technology and capacity. Between the late 1990s and 2007, during which the major transition of Danish cancer policy took place, Denmark first had a Social Democrat led government until autumn 2001, followed by a government led by the Liberal and the Conservative Parties. Interestingly, the right-wing government seemed to have been at least as committed to adopting the new cancer programmes, if not more so, than the Social Democrats.

This somewhat paradoxical situation where a right-wing government seemed at least as, if not more, supportive of public-health investments than a centre-left wing one may have both a personal and a wider strategic explanation. The personal factor may have to do with the appointment of Liberal Party parliamentarian Lars Løkke Rasmussen as Minister of Health in the new right-wing government in autumn 2001, a position he held until autumn 2007. Before that he served three years as mayor for Frederiksborg county, where he had gained intimate knowledge of the hospitals, the funding situation and their general popularity among the voters. The more strategic factor may have to do with the explicit shift of strategy undertaken by the Liberal Party in the late 1990s. In order to get back into government, the party dropped its unconditional celebration of liberalism and the blessing of the market in favour of a more centrist position that basically accepted the welfare state and its key provisions, not least public-health services.

The association of Danish Regions (formerly the Danish Counties) have consistently supported the new cancer policy, though with the important proviso that the central government allocated adequate funding for their implementation (*'Amtsborgmestrene bakker op om kræftplan'* 2000). This was particularly clear in 2007, when the head of the Regions, Bent Hansen, was one of the most ardent supporters of conceiving of cancer as an acute disease that required diagnostic assessment within 48 hours of a citizen showing indications of potential cancer. While the regions may have been slow to take the necessary organizational measures at the hospitals to speed up treatment, at least prior to 2007, they have over and again

sided with the Danish Cancer Society in the call for more central government funding to the area.

Unsurprisingly, the medical profession was a strong and very articulate supporter of more funding to improve cancer treatment. As already shown, the Multidisciplinary Cancer Groups, which have members from a range of medical specialties that contribute to cancer treatment, worked in tandem with the Danish Cancer Society in spring 2007 to bring about political support for improving cancer treatment. This implied not only more funding, but also substantial changes in the diagnostic and treatment procedures prevailing at the time. While such changes have received strong support from the representatives of the medical professions and diagnostic processes have been sped up across all hospitals, the changes of curative treatment procedures in hospitals have taken place at a somewhat uneven pace. For example, the medical professional associations have been forced to negotiate in protracted disputes between doctors favouring centralization of surgical treatment in the larger specialized hospitals, and doctors defending the maintenance of treatment at minor, rural hospitals (Lund 2008). Politicians, who have to accommodate rural constituencies, have been slow to react to the inexplicable differences in cancer treatment practices between the large and minor hospitals, though highly publicized differences have forced them to centralize, for instance, breast cancer treatment (Pedersen 2010; Albinus 2010, 2012).

Finally, general patient interest group, Danske Patienter, has expressed support for better cancer treatment ('Dårligt overblik er sygehusenes største problem' 2010; 'Løkke skitserer Kræftplan III' 2010). However, it is noteworthy just how infrequent Danske Patienter has made public statements on cancer treatment. There may be several reasons for this. The most obvious one is that Danske Patienter has delegated the advocacy and public support mobilization for cancer treatment to the Danish Cancer Society. Considering the professionalism and efficacy of the Danish Cancer Society, such a division of labour seems like a very plausible reason. However, another, supplementary, reason could be that Danske Patienter over the years has come to see that to some extent, the vast public investments in cancer treatment have come at the expense of other diseases (Schmidt 2010). Another patient group, the Alzheimer Association, has argued that mental diseases are de facto being neglected compared to cancer treatment and that the solution is to establish an expert advisory body to advise the government on how to get the most health outcomes per spent kroner ('Patienter: Vi vil ikke vælge' 2011); a solution that was vehemently rejected at the time by Danske Patienter with the argument that it should not be necessary to prioritize between treatment of diseases in Denmark.

This could be taken as an indication that Danske Patienter was trying to keep a unified front between all the Danish patient associations, including the Cancer Society. However, only one month later, Danske Patienter was openly disagreeing with the Danish Cancer Society in its assessment of the health agreement made



between the government and the regions. Whereas the Cancer Society praised the additional funds for cancer treatment, Danske Patienter criticized the agreement for ignoring the need for improving treatment of most other diseases (*'Læger og patientforening kritiserer sundhedsaftale'* 2011). This understanding that inadequate resources to, for example, lung diseases and mental health problems may indirectly be attributed to the heavy investment in cancer treatment has since then been repeated by Danske Patienter (Carlson and Dahl-Hansen 2012; Christiansen 2018).

Similar voices over the favouritism of cancer (and heart disease) treatment at the expense of other diseases were later expressed by the Ethical Council, an advisory body on public-health issues under the Danish parliament. In 2018, the Ethical Council organized a conference in parliament in order to highlight what it saw as the unreasonable neglect of several diseases, such as certain lung diseases and mental illnesses (Det Ethiske Råd 2018b, 2018a). It explicitly pointed to cancer and heart diseases as areas that had received vast political attention and economic resources at the expense of other diseases. The chairman of Danske Patienter, who participated in the conference, seemed to agree with this point, an indication that Danske Patienter has dropped the earlier strategy of simply calling for more resources for all diseases in favour of a more balanced strategy recognizing that some diseases are more in need than others.

In sum, there has in general been strong political and public support for improving cancer treatment. Today, it is almost unimaginable for politicians to start reducing the resources invested in the effective but also very expensive cancer treatment programmes. While public support, at least as expressed by the patients' associations, remains strong, we have seen an intensification of voices that question what in their view is an unfair focus on cancer treatment at the expense of other diseases.

### Programmatic success

In terms of programmatic assessment, it is still too early to assess the full impact of the four cancer plans. Yet it is evident that Danish cancer treatment has markedly improved. From 2005 to 2014, survival rates for Danish cancer patients improved significantly. Table 6.1 shows that survival rates have improved substantially for these common cancer forms. While it is very difficult to assess the extent to which these improvements are due to the new cancer treatment plans and policies, it seems reasonable to assume that they have contributed importantly to this positive change. At least, the improvements in cancer survival rates in Denmark in the period from 1990 to 2015 are significantly higher than in the other Nordic countries (Lundberg 2020). For example, the five-year survival rate for breast cancer improved 16 percentage point in Denmark, compared to 11, 13 and 8 in Finland,

**Table 6.1** Changes in survival rates for cancer in Denmark (five-year average in per cent)

Cancer form/Years	1995–1999	2010–14
Colon	49.1	65.7
Rectum	48.1	69.1
Pancreas	3.2	9.6
Lung	8.2	18.9
Ovary	32.0	42.1

Source: authors' production based on: [Arnold et al. \(2019: 1498\)](#).

**Table 6.2** Cancer survival rates 2010–2014 (average percentage)

	Denmark	Australia	Canada	Norway	UK
Colon	65.7	70.8	66.8	65.4	58.9
Rectum	69.1	70.8	67.0	68.8	62.1
Pancreas	9.6	14.6	11.1	9.9	7.9
Lung	18.9	21.4	21.7	20.4	14.7
Ovary	42.1	43.2	40.3	46.2	37.1

Source: authors production based on [Arnold et al. \(2019: 1498\)](#).

Norway and Sweden respectively. The most recent figures, from 2016, suggest that contemporary breast cancer survival rate is very close to the Nordic average ([Lundberg 2020: 1268](#)). Similarly, the five-year survival rate for prostate cancer improved by 51 percentage points, compared to 41, 36 and 31 in Finland, Norway and Sweden (*ibid*: 1271).

Notwithstanding these impressive improvements, programmatic success is relative: it is about Denmark catching up with, rather than leading, the international pack. And even after these impressive improvements, Danish survival rates are still not on a par with those of the countries that Denmark likes to compare itself to. Table 6.2 shows that Danish survival rates for most cancer forms remain inferior to the compared countries, except Norway and the UK. A similar state applies to prostate cancer, the most frequent form of cancer among males, where Denmark has the lowest survival rate (87% five years after diagnosis) compared to the other Nordic countries ([Association of Nordic Cancer Registeries 2019](#)). Thus, there is still room for improvement in screening and treatment practices.

There is also room for improving preventive actions aimed at reducing the development of cancer in the first place. This is particularly clear regarding lung cancer, which is strongly influenced by the level of tobacco consumption, though workplace conditions also play an important role. As indicated by Table 6.3, the prevalence of lung cancer in Denmark is twice that of the other Nordic countries.

**Table 6.3** Prevalence of lung cancer and daily smoking in four Nordic countries

	Denmark	Finland	Norway	Sweden
Lung cancer (2016) per 100,000 (Fem/Male)	214/173	80/110	151/135	127/87
Daily smokers (2014) (per cent)	21.3	17.8	14.2	9.4

Source: lung cancer data: [Association of Nordic Cancer Registries \(2019\)](#); Daily smokers data: [Matthiessen et al. \(2017\)](#): 137).

Also, tobacco consumption in Denmark remains higher than in the other Nordic countries.

The higher prevalence of lung cancer among women is clearly linked to changing tobacco-consumption patterns. While the number of daily smokers in Denmark has dropped substantially over the last decades for both sexes, the reduction in male smoking has dropped from a far higher level than female smoking ([Sundhedsstyrelsen 2018](#)). Clearly the efforts to reduce smoking in Denmark, such as the ban of indoor smoking in public spaces in 2007, have not sufficiently reduced tobacco consumption. Thus, despite the policy success, there is still a lot of work to be done in terms of preventive regulations, screening procedures, curative practices and rehabilitation services before Denmark is truly at the front of cancer treatment.

## Analysis and Conclusions

This chapter has argued that Danish cancer policy from around 2000 onwards has largely been a success along each of the four dimensions of the PPPE model (programmatic, process, political, and endurance) used in this volume. The four consecutive cancer plans constitute a sustained effort. Over the course of 20 years, they have been able to improve diagnostic and curative procedures and capacities with the effect that survival rates for cancer patients have increased substantially and at higher rates than in the other Nordic countries in the same period. Although, in [McConnell's \(2010\)](#) terms, programmatic success is 'resilient', it is certainly not 'complete', as has been shown. There is scope for considerable improvement with regard to preventive actions and regulations (in the area of smoking, alcohol consumption and dieting) and in the area of diagnostic and curative procedures and capacities. Overall, it is also a process success in the sense that the policy saw the emergence of an enduring coalition of state, regions, patient organizations and health professionals around the goal of improving cancer treatment. Recently, however, a few actors in this coalition have questioned whether or not the strong focus on cancer policy may be crowding out the attention to other diseases. Finally,

it is a political success as the costly cancer plans have enjoyed widespread and enduring parliamentary and popular support.

The rather sudden political attention to and rather spectacular investment in the improvement of cancer treatment does not appear to be typical Danish, or even Nordic. Most public-welfare reforms are usually incremental and the result of political compromises by the various Danish coalitions or even minority governments. At least, most other historical public-health reforms in the Nordic countries have been more gradual, with the intent of reducing illness and increasing life expectancy and quality of life (Vallgård 2003).

Even if the sudden shift in cancer policy may not be typical, it may still have to do with something emblematic to the Nordic countries, namely their image as welfare states. Danish policymakers, like Finnish, Icelandic, Norwegian and Swedish, are not only paying lip service to the blessing of the welfare state, they also have to adapt their policies in ways that at least appear to be in support of it. If not, they are likely to be punished by the electorate, among which the support for the welfare state and its tax-financed public services has remained high (Giger 2010) in the face of several social policy retrenchment reforms since the 1980s (Green-Pedersen 2002). As already explained, the Danish Liberal Party's strategic decision around the late 1990s to drop its overt ideological fight for a minimal state and the celebration of the free market, was a deliberate attempt to accommodate the large group of median voters supporting the welfare state. More specifically, the epidemiological studies showing that the Denmark was in fact not a welfare state when it came to cancer treatment, a point hammered out over and again by the Cancer Association, was no doubt conducive to convincing most political parties, including the Liberal Party and the Social Democrats, that significant actions had to be taken to improve cancer policy. A similar pattern of political mobilization was seen in the late 2000s, when consecutive PISA surveys indicated that the pupils of the Danish public schools were performing at low levels compared to the other Nordic countries, not least Finland (Nusche 2016).

Yet, the mobilization of private interest groups for a relatively narrow policy issue such as this, is certainly not unique to Denmark. At least, we find similar cancer patient group pressures on government to augment public spending from Britain, even in cases where the medicine is not very effective (Steinbrook 2008). In Sweden, a study has showed how pharmaceutical companies provide funds to patient organizations fighting for higher public-health expenditures in the treatment of cancer and other diseases (Mulinari et al. 2020).

There is no doubt a lesson here with regard to the remarkable efficacy with which a private interest group, the Danish Cancer Society, utilized a conducive political situation to the benefit of a large group of patients, though possibly at the expense of other medical patients. However, how this can be 'applied' is not so clear. It was/is a rather unique political situation that allowed the Danish Cancer

Society to undertake its effective lobbying. But given these conditions, it could be a lesson for other interest groups on how to gain influence.

From the point of view of the public authorities, the lesson of the cancer treatment reform is not so clear either: True, a government can profile itself on effectively improving health services with very visible policy outcome improvements. Picking such public winner cases and effectively implementing policies is a winner cause in all political systems, not just the Nordic welfare states. Yet, if the task of government is not only to gain popularity and stay in office, but to serve the whole of the population rather than a few highly articulate groups, then the lesson may be that the government should not be so easily seduced by single-issue policy reforms. It needs to pay attention to how resources can be allocated to maximize health outcomes for as many as possible. Such a macro-perspective focusing on the overall welfare (or health) benefits generated per spent tax kroner may not be a party-political winner strategy, but it is absolutely crucial for the long-term sustainability of the public-health sectors in all OECD countries, where overall expenditure remain very high.

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### Questions for discussion

1. What characterizes public-health policies in a Nordic welfare state?
2. What are the political and macro-economic pros and cons of the public-health policies in the Nordic welfare states?

3. How have new public-management reforms influenced the public-health policies in the Nordic welfare states?
4. In what ways are Danish public-health policies similar to the other Nordic countries and where do they differ?
5. What could be the historical and political causes of both the similarities and the differences?

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PART II  
POLICY SUCCESSES IN NORWAY



# Gender Quotas for Corporate Boards

## A Qualified Success in Changing Male Dominance in the Boardroom

*Mari Teigen*

### **Slaying the Dragon**

The major advances toward gender equality that characterize much of Norwegian society stand in notable contrast with strong and persistent over-representation of males in key roles within the corporate world. To promote gender balance in this remaining bastion of male dominance, the Norwegian parliament in 2003 adopted a statutory regulation of the gender composition of corporate boards. More precisely, the regulation stated that the corporate boards of public limited companies, as well as state and inter-municipal companies, should have a representation of at least 40 per cent of each gender. The implementation of this regulation led to a strong growth in the proportion of women on the boards of public limited companies, from 5 per cent to 40 per cent between 2002 and 2008.<sup>1</sup> It was a noteworthy step to take. At the time, the notion that, through law, corporate board composition could be directed in accordance with public and political preferences (in this case about gender equality) was brand new to Norway as well as to the rest of the world. Although quota policies had become commonplace in Norwegian party politics, imposing such regulations on companies that are often privately owned had not been considered.

The results so far clearly suggest that gender quotas for corporate boards have been a programmatic policy success in terms of fulfilling the main aim of promoting gender balance on corporate boards. Politically, public support for gender quotas for corporate boards has increased and the law has attracted no significant criticism. Moreover, prompted by the Norwegian example, other countries have followed suit and adopted similar regulation (e.g. Spain, France, Belgium, Italy and Germany). There are also many indications that the regulation led to a change in

<sup>1</sup> In this chapter, the regulation of gender quotas for the boards of public limited companies will be the focus, as these companies were the main target of controversies over the policy. The year 2008 saw the full implementation of gender balance for public limited companies. The gender quotas also cover the boards of state-owned, inter-municipal, cooperative, and municipal companies (see [Teigen 2022](#)).

attitudes among Norwegian business leaders, where the initially limited support for quotas as a gender equality policy-instrument has increased considerably following the introduction and implementation of the law.

However, as I will discuss, the policy scheme has also been criticized for its limited social impact. The most salient critique addresses the lack of a ripple effect: Female membership rates on company boards not covered by gender quotas for corporate boards has stagnated, and women are still poorly represented in executive positions in the corporate world (CORE 2020). Hence, the case of gender quotas for corporate boards illustrates the grey area of in-between success (cf. McConnell 2010). Although on balance, the positives certainly outweigh the negatives.

Below I shall first present the Norwegian gender equality context, followed by a description of the three main phases of the policy processes. I then present the implementation of the regulation of gender quotas for corporate boards, followed by a systematic analysis of its programmatic success. I include two aspects of success: increased support of gender quotas for corporate boards nationally and international diffusion of similar regulations, and a failure, that is, the lack of a ripple effect of gender balance to adjacent areas.

### **The Evolution of Gender Equality in Norway**

Since the early 1970s, gender equality advancements have changed Norwegian society extensively. Women's labour-market participation has become the norm. From 1972 to 2020, women's employment rate (ages 25–54) increased from 53 per cent to 80 per cent, and today, the difference between men's and women's employment rates (ages 25–54) is small (80% vs 85%) (Kitterød and Teigen 2021) and women's education attainment has surpassed men's. Furthermore, women's political representation has increased considerably. By 1981, Norway had its first female, albeit initially short-lived Prime Minister, Gro Harlem Brundtland. When she returned as Prime Minister in 1986, she established her second government, which was comprised of no less than 40 per cent female ministers. Historically unique, this government continues to be referred to as 'the women's cabinet'. Ever since, at least 40 per cent of each gender has become a minimum standard for the composition of all Norwegian governments. Also, women have made up about 40 per cent of the members of the national parliament since the early 1990s (Allern et al. 2019).

Despite these important advances, Norwegian society still features persistent gender disparities. In recent years, there has been a slow decline in gender segregation on the labour market, but still gender segregation prevails. Women are concentrated in the public sector, particularly in health and education, while men are concentrated in the private sector, particularly in construction, manufacturing and

transport (Reisel and Teigen 2014). Part-time work is common among employed women; the average is 36 per cent. However, propensity to work part time is concentrated in the health care sector, where 60 per cent work part time (Drange and Vabø 2021). The gender gap in hourly wages persists: women earn 89 per cent compared to men. The gender pay-gap decreased rapidly from the 1950s and onwards, while it slowed down in the 1990s, and has since just shrunk gently (Wagner et al. 2020). Of particular relevance to the issue under scrutiny in this chapter, vertical gender segregation continues, although vary largely across sectors. As shown in the Norwegian Leadership studies from 2000 and 2015, average numbers of male-dominance showed a reduction from 83 to 72 per cent. Change towards gender balance at the top is a clear tendency in sectors such as research and higher education and public administration, where male dominance dropped from 81 to 60 and 81 to 65 per cent, respectively. While, in top-positions in the largest private businesses, male dominance only dropped from 95 to 87 per cent (Teigen et al. 2019). The situation in Norway's corporate world can further be illustrated by looking at the 200 largest Norwegian companies, where only 14 per cent of CEOs are women (CORE 2020).

In Norway, public debate and policymaking to advance gender equality have been characterized by a strong belief that gender equality can be purposefully stimulated by government action. The dominant gender equality policy tradition in Norway has prioritized building family-oriented welfare state policies through publicly financed childcare facilities and generous parental leave schemes and the promotion of gender balance norms through quotas and various forms of preferential treatment (Skjeie and Teigen 2012; Skjeie et al. 2019). An expanded concept of gender equality drove the development of the Norwegian Gender Equality Act, which from its enactment in 1978 has both established the principle of prohibition of discrimination on the grounds of sex and at the same time opened up differential treatment aimed at promoting gender equality. This dual principle of equality has become central in anti-discrimination legislation in most countries in Europe as well as integrated in the equal treatment directive of the European Union (EU) and European Economic Area (EEA) (Kantola and Nousiainen 2009).

Norway differs from the other Nordic countries, however, in its strong emphasis on various forms of quota schemes (see Table 7.1). Gender quotas to promote gender balance were first introduced by the political parties; in the mid-1970s, the Liberal Party and the Socialist Left Party adopted rules for gender representation, followed by the Labour Party in 1983, the Centre Party in 1989, and the Christian Democratic Party in 1993. These voluntary party quotas regulate both internal governing bodies and electoral lists. In 1988, the Gender Equality Act introduced a requirement that at least 40 per cent of each gender should be represented on public boards, councils and committees. This was for a long time the only statutory gender quota, until corporate gender quotas were enacted in company law by the Norwegian parliament in 2003 (Teigen 2018).

**Table 7.1** Main types of gender quota procedures in Norway

Field	Type	Date of adoption	Procedure
<b>Politics</b>	Voluntary	<ul style="list-style-type: none"> <li>• 1974: Liberal Party</li> <li>• 1975: Socialist Left Party</li> <li>• 1983: Labour Party,</li> <li>• 1989: Centre Party,</li> <li>• 1993: Christian Democratic Party</li> </ul>	Quotas (at least 40% of each gender) regulate party election lists and internal bodies <sup>a</sup>
<b>Public commissions</b>	Legislated	<ul style="list-style-type: none"> <li>• 1981: first regulation of gender composition in the Gender Equality Act</li> <li>• 1988: specification of 40% of each gender</li> <li>• 1992: same formulation included in the Local Government Act</li> </ul>	Minimum 40% of each gender to be represented in publicly appointed boards, councils and committees
<b>Corporate boards</b>	Legislated	<ul style="list-style-type: none"> <li>• 2003: Law passed</li> <li>• 2004: implemented for state-owned and inter-municipal companies</li> <li>• 2006: implemented for new public limited companies (PLCs)</li> <li>• 2008: implemented for all PLCs</li> </ul>	Minimum 40% of each gender to be represented in specified company boards

<sup>a</sup> The Liberal Party's gender quota rule only applies to internal bodies.

Source: author

## Gender Quotas for Corporate Boards in the Making

Although quota policies to promote gender equality have been more popular in Norway than elsewhere, getting them up and running was no sinecure. Indeed, the proposal to enact gender quotas for corporate boards spawned much controversy. In the public debate in the 1990s, considerable uncertainty existed as to whether such a regulation would become a reality and, if so, whether it would be complied with, until it was adopted by parliament in 2003 and implemented in 2008.

It did not help that the proposal to introduce gender quotas for corporate boards was not part of a larger package of measures to promote gender equality in the



business sector but instead was put forward as a ‘quick fix solution’ to the male dominance problem (Teigen 2015). Moreover, until then the business community had largely been considered off limits for Norwegian gender equality policy. The dominant perspective was that corporate governance issues lay outside the state’s jurisdiction and were for the owners themselves to address (Teigen 2002). Once strong male dominance at the top of business became framed as an issue of concern and a source of potential embarrassment to the kind of self-image Norway wanted to portray internationally, the political equation changed and the hitherto unthinkable began to be argued for (Teigen 2015).

A wide range of actors was involved and played important roles in the policy-making process that resulted in a policy that at first received fierce opposition. Ansgar Gabrielsen, the Minister of Trade and Industry from the Conservative Party, played a key role in the final phase of the policy process and received most of the credit for the adoption of gender quotas for corporate boards. Yet several other actors played essential roles in earlier stages of the process (and thus deserve equal credit for the policy’s successes). The policy process is reviewed in three phases (see Table 7.2).

### The preparatory phase

The idea of regulating corporate boards’ gender composition by law was first suggested by the Gender Equality Ombud, together with the Centre for Gender Equality. They proposed it in a joint letter as part of a larger input into the initial phase of the government’s preparation of an extensive revision of the Gender Equality Act (Teigen 2021; Sørensen 2011).

The idea was picked up by the Ministry of Children and Family Affairs, which commissioned a survey of the gender balance situation on company boards. The report documented that women were strongly under-represented (see Skjeie and Teigen 2003). Based on the ministry’s survey, a proposal was integrated into the government’s proposition for a revised Gender Equality Act, which was sent out for consultation to involved parties. The Christian Democratic Party and the Minister in charge, Valgerd Svarstad Haugland, were central in the preparation of the proposition.

The idea was that the gender composition of corporate boards could be modelled on the regulation of gender quotas for public boards, councils and committees (Barne- og familiedepartementet 1999–2000). The public consultation document presented alternatives offering varying degrees of intervention. The first alternative proposed that the Gender Equality Act be expanded to include publicly owned company boards and require at least 40 per cent of each gender on boards. The second alternative included in addition companies where the state had part ownership, again with at least 40 per cent of each gender on the boards. The third

**Table 7.2** Policy process phases up to the adoption and implementation of gender quotas for corporate boards

Policy steps	Cabinet	Action	Output
<b>Preparatory phase: 1995–2000</b>	Prime Minister Kjell-Magne Bondevik (1997–2000), head of majority government coalition, which included the Christian Democratic Party, the Centre Party, and the Liberal Party. Responsible: Minister of Children and Family Affairs, Valgerd Svarstad Haugland (Christian Democratic Party).	Gender Equality Act under revision: The government's official consultation document included a proposal to expand the regulation of gender balance in publicly appointed boards, councils and commissions to the boards of publicly owned businesses (40% men/women) and limited company boards (25% men/women).	Proposition to expand the regulation of gender balance in public committees etc. in the Gender Equality Act withdrawn due to the need for legal clarification.
<b>Intermediary phase: 2000–2001</b>	Prime Minister Jens Stoltenberg (2000–2001), head of minority Labour Party government. Responsible: Minister of Children and Family Affairs, Karita Bekkemellem.	Ministry of Justice assessed legality of gender quotas. Conclusion that such a regulation should be included in the Companies Legislation instead of Gender Equality Legislation. Gender quota target adjusted upwards from 25 to 40 % for private companies; however, the scope of private companies was restricted to public limited companies.	Ministry of Children and Family Affairs' proposition of a new Gender Equality Act was passed by parliament with no regulation of board quotas.
<b>Final phase: 2001–2008</b>	Prime Minister Kjell-Magne Bondevik (2001–2005), head of majority government coalition, which included the Christian Democratic Party, the Liberal Party, and the Conservative Party. Responsible: Minister of Children and Family Affairs, Laila Dāvøy (Christian Democratic Party) and Minister of Trade and Industry, Ansgar Gabrielsen (Conservative Party).	Proposition to regulate gender balance on corporate boards in the Companies Act presented by the government to the parliament. Parliament report prepared by the Ministry of Children and Family Affairs.	Proposition voted in by parliament by all parties except the Progress Party. Implementation: Public companies to implement from 2004; Public limited companies, if not voluntarily reaching the 40% target by 2005, the government effectuated the decision that all boards of public limited companies had to have 40% of each gender by 2008.

Source: author

alternative proposed that all kinds of companies—limited companies, foundations and publicly owned companies—be required to meet gender quota requirements. For publicly owned companies, each gender should be represented by at least 40 per cent of the board positions, and for privately owned companies, each gender should be represented by at least 25 per cent of the positions, with a gradual upward adjustment. The gender quota should be regulated through the Gender Equality Act for any company type.<sup>2</sup> However, the proposition to regulate gender quotas for corporate boards as part of the revision of the Gender Equality Act was withdrawn.

### The intermediary phase

The withdrawal of the gender quota proposition from the revision of the Gender Equality Act did not end the quota issue. The argument for the withdrawal was that the legality of gender quotas imposed on corporate boards needed to be clarified ([Barne- og familiedepartementet 2000–2001](#): 4). This was interpreted by many observers as the quota supporters losing the battle. However, the Ministry of Justice concluded that a regulation of gender balance on company boards would not conflict with other rules and regulations and would be in accordance with Norway's EEA commitments. Furthermore, it was maintained that it would be more appropriate to place regulation of gender balance on company boards under legislation that applies to companies, the Public Limited Companies Act, and other parts of company legislation relevant for state-owned companies and inter-municipal companies, and later for municipal and cooperative companies.

The Labour Party government that came into office in 2000 followed up the recommendation. An important change from the preparatory to the intermediary phase of the policy process was the increased target—from 25 per cent to 40 per cent of each gender—for all companies included in the new proposal. Several actors who supported gender quotas had been sceptical of a 25 per cent gender quota, and argued for upping that to uphold Norway's by then 'standard formula' of a 40–60% gender quota. The increase from 25 per cent to 40 per cent for all companies included in the design of the law implied that the Labour Party had managed to put its stamp on the proposed legislation ([Teigen 2018](#)).

<sup>2</sup> The alternatives are described in different parts of company legislation (*Om lov om endringer i lov 13. juni 1997 nr. 44 om aksjeselskaper, lov 13. juni 1997 nr. 45 om allmennaksjeselskaper og i enkelte andre lover likestilling i styrer i statsaksjeselskaper, statsforetak, allmennaksjeselskaper mv.*; [Barne- og familiedepartementet 2002–2003](#): 13). A mapping of the consulted organizations and the government's consideration of it are described in *Om lov om endringer i likestillingsloven mv. (plikt til å arbeide for likestilling, skjerping av forbudet mot forskjellsbehandling på grunn av kjønn, forbud mot seksuell trakassering mv* ([Barne- og familiedepartementet, 2000-2001](#)).

## The final phase

The Conservative–Centre government coalition that assumed office after the 2001 election continued the preparation. The Ministry of Children and Family Affairs made the preparations in close cooperation with the Ministry of Trade and Industry. The Minister of Children and Family Affairs, Laila Dāvøy, from the Christian Democratic Party, and the Minister of Trade and Industry, Ansgar Gabrielsen, from the Conservative Party, fronted the case as a pair. Minister Gabrielsen in particular became a media favourite. It was a classic ‘Nixon goes to China’ story: a Conservative man, who happened to be the Minister of Trade and Industry, who chose to front the proposition and perform political salesmanship for it.

The transition of the regulation from the Gender Equality Act into company legislation was probably of vital importance for its successful implementation. The sanction system and enforcement apparatus attached to company legislation are much more effective and explicit (Teigen 2021). A strong system of sanctions is integral to all regulations in company legislation. Enforcement of all rulings in company legislation is monitored by the Norwegian state’s business register,<sup>3</sup> which is responsible for initiating further legal processes in cases that violate any regulations in company legislation. If a company does not comply with the requirements set by company legislation, the company will, after receiving a warning and being handed expensive fines, ultimately be dissolved if it does not correct its non-compliance in accordance with the regulations. These powerful means to ensure compliance with the legislation are rarely needed, as the consequences of not complying are too harsh.

The transition into company legislation, as well as the increased gender quota target, implied a strengthening of the proposal. However, simultaneously, the scope of companies to be covered under the ruling was dramatically diminished from the first phase, where all types of companies were included, at least in the most extensive part of the proposition, to the second round, where the proposal was narrowed down to state-owned, inter-municipal, and public limited companies. In the proposal, the ministry’s argument for restricting the scope focused on feasibility: many private limited liability companies are often small and family owned, and by necessity, the owners themselves serve on the company board (Barne- og familiedepartementet 2002–2003: 14).<sup>4</sup>

<sup>3</sup> The Norwegian state’s public business register is called Brønnøysundregistrene (no English name is yet applicable); <https://www.brreg.no/>. It formally records all companies and organizations and ensures that they follow rules and regulations.

<sup>4</sup> According to the ruling, each gender is to be represented by a minimum of 40 per cent on boards constituted of 10 board members or more. For smaller boards, the number of men and women to be represented are specified in detail (i.e. boards constituted with four members need to be represented by two men and two women; those with five members at least two men and two women, etc.). The gender balance ruling applies respectively for election of deputy members. The rules regarding representation of both sexes apply separately to employee-elected and shareholder-elected representatives in order to

In the end, the proposal that at least 40 per cent of each gender be required on the boards of public limited companies, state companies, and inter-municipal companies was adopted by the Norwegian parliament in 2003, and by a large majority. Only the right-wing populist Progress Party representatives voted against, in line with its scepticism over an active gender equality policy.

### The policy process

The policy process that led to the adoption and implementation of gender quotas for corporate boards was filled with much uncertainty (see [Teigen 2022](#)). Opposition was high in the business community and among the political right. The Conservative Party was officially against gender quotas for corporate boards until the final round. However, as a result of the alliance and interaction between the Minister of Children and Family Affairs from the Christian Democratic Party (Laila Dāvøy) and the Minister of Trade and Industry from the Conservative Party (Ansgar Gabrielsen), support for the proposition was achieved within the government. In addition, Valgerd Svarstad Haugland, who was the minister in charge in the initial phase, was Minister of Culture in the final phase and a supporter of gender quotas for corporate boards. It is well known that there was internal disagreement within the government about the proposal for gender quotas for corporate boards, but the supporters won and thus secured the political parties' votes when the issue was debated in parliament.

In retrospect, it is easy to forget how controversial the gender quota proposal actually was. Opposition was heavy from key players, but the drive in the direction of new policies was stronger. Two key points important for the proceeding policy process are worth remembering.

First, the continued male dominance in top positions stood in sharp contrast to the national self-image of Norway as one of the world's most gender-equal societies. This constituted an important backdrop for the debate. The media played a crucial role in holding the attention, although there has been no systematic study of the role of the media in swaying opinions on the issue. However, the gender quotas for corporate boards would hardly have seen the light of day if it had not been for the combination of persistent public problematizing of male dominance at the top of the business community.

Second, although highly controversial, gender quotas for corporate boards can nevertheless be said to be a product of path dependency. For one thing, gender quotas for corporate boards could be considered an expansion of the extant regulation in the Gender Equality Act of gender balance on public sector boards

ensure independent election processes. The rules do not apply to employee-elected board members in companies where one gender is represented by less than 20 per cent.

and committees. In addition, there was already in place a regulation for employee representation on company boards beyond shareholders' representation (Hagen 2015), which created a precedent for thinking more broadly about representation on boards. References to these policy legacies—gender quotas in public commissions and employee representation in company boards—formed part of the government's justification for the new regulation of gender quotas for corporate boards (Teigen 2018).

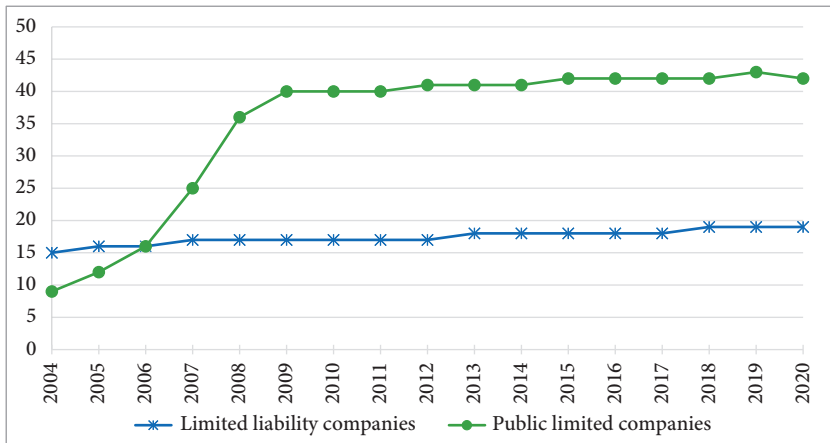
Thus, it can be argued that gender quotas for corporate boards were part of an institutionalized policy path (e.g. Pierson 1993; Thelen 1999), which may help to understand why the regulation was adopted despite strong opposition from powerful actors. Notably, considerable uncertainty about what the result would be was central in the policy process from the first initiative until full implementation.

### **From Law to Practice: Implementation and Endurance of the Gender Quota Regulation**

The regulation of gender quotas for corporate boards simply requires that representatives on corporate boards include at least 40 per cent of each gender. In this sense, the policy has been a resounding success, as that target was met early on and performance against it has never waned. Another facet of success concerns how the introduction of gender quotas for corporate boards has created policy feedback, leading to stronger support for gender equality in corporate boardrooms. Furthermore, the Norwegian regulations have inspired parallel regulations in other European countries. On the downside, the high expectations of spillover effects—from oversight towards senior executive roles in corporations—have not been met.

#### The numbers work

The legal placement of regulation of gender balance in the Companies Act implies that explicit enforcement procedures are attached to the ruling. For state and inter-municipal companies, company boards were required to have at least 40 per cent of each gender by January 2004. For public limited companies, enforcement was formulated with a leeway for the ruling not to be effectuated if the public limited companies themselves were voluntarily able to reach 40 per cent of each gender before July 2005. The representation of women on public limited company boards increased but did not reach the target by 2005 (see Figure 7.1, green line). From 2006 the gender quota regulation was mandatory for all companies established that year, and from 2008 it was mandatory for all public limited companies (see Table 7.2).



**Fig. 7.1** Proportion of women on the boards of public limited companies and limited liability companies, Norway, 2004–2020

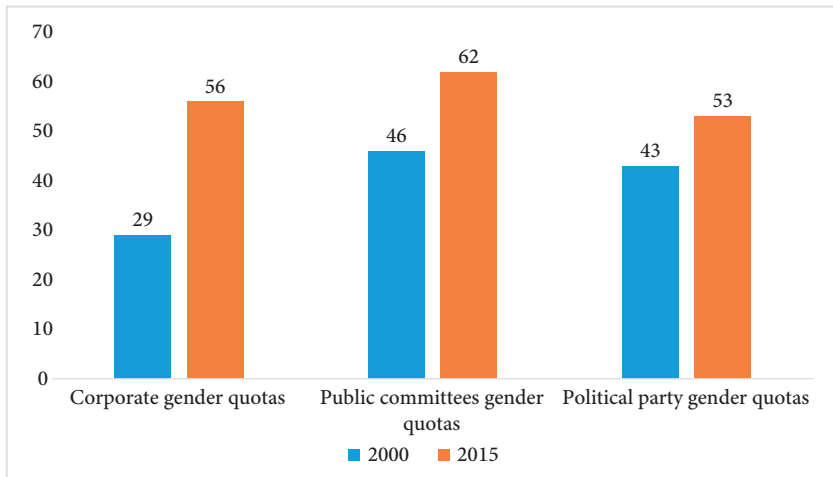
Source: Statistics Norway

The green line in Figure 7.1 shows the steep increase in the proportion of women on the boards of public limited companies (covered by the quota), and the blue line shows the modest development in the share of women on the boards of private limited liability companies (not covered by the quota). As Figure 7.1 illustrates, women's representation on the boards of public limited companies rose quickly after the government decided that the companies had not succeeded in reaching the gender target voluntarily.

Adopted in the face of fierce opposition from the corporate sector, the gender quota ruling was nevertheless implemented loyally and with almost no public controversies. This reflects the simple fact that Norwegian businesses are essentially compliant: they follow the rules and regulations that apply to them, although they do not necessarily like them, especially when there is a clear system for monitoring and enforcement to induce that compliance. Hitting the requisite target was also made easier by the fact that in the three years between enactment and implementation corporations had engaged in anticipatory compliance and had already begun to recruit more women onto their boards (Hetland 2007). Grumbling about it in public, they had in fact already moved towards tacit acceptance of the impending quota rule.

### Policy feedback and attitude change

An indirect indication of programme success is how the introduction of gender quotas for corporate boards has been followed by a notable change in attitudes



**Fig. 7.2** Proportion supporting gender quota policies in the business elite: 2000 and 2015

2000 (n = 390) and 2015 (n = 242)

Source: author

indicating increased support of such regulations. Analysis of two Norwegian leadership studies from 2000 and 2015 clearly shows a significant attitudinal change toward increased support for gender quotas, broadly speaking, and for corporate boards in particular (Teigen et al. 2019). The leadership studies included people in top positions in 10 sectors of Norwegian society, including cabinet ministers, members of parliament, editors of large media outlets, bishops, supreme court judges, and top leaders of large corporate businesses. Support for gender quotas increased in all elite groups from 2000 to 2015; however, the increase was particularly evident among the business elite, and increased support was particularly strong for gender quotas for corporate boards. Within the business elite, support for gender quotas for corporate boards increased by close to 30 percentage points from before the adoption of the legislation in the early 2000s to 2015. Even though business leaders increasingly also came to favour other quota measures, attitudes toward gender quotas for corporate boards clearly changed the most (see Figure 7.2). The increase in support among the business elite, those in closest proximity to gender quotas for corporate boards, was greater than in any other elite group (see Teigen et al. 2019).

### International diffusion

Norway's high profile and rapidly impactful introduction of gender quotas for corporate boards received considerable international attention, which led to the



introduction of gender quotas for corporate boards in several European countries (Teigen 2022). The spread of gender quotas for corporate boards, and how the policy contributed to putting gender balance on corporate boards on the international agenda, therefore constitutes an important element in the analysis of the introduction of gender quotas as a policy success.

Norwegian politicians and experts have travelled the world to present the success of gender quotas for corporate boards and discuss the implications. The international press wrote extensively on their advantages—and disadvantages (Teigen 2015, 2021). In the years following Norway's adoption of gender quotas for corporate boards, most, if not all, European countries have had heated debates on whether they should adopt such regulations, and several have adopted similar regulations. Significant variations, though, exist in the gender quota policies adopted. Table 7.3 shows the countries that have adopted gender quotas for corporate boards. These countries diverge in their rules for minimum and maximum gender distribution. Some have copied the Norwegian 40/60 per cent principle (Spain, Iceland and France), while others have more modest requirements (Belgium, Italy, Germany, Portugal and Austria). The countries also differ in their inclusion criteria. Some regulate gender balance according to which companies are included under the regulations, some according to company type (public limited and traded companies), some according to revenue and number of employees, and some according to all these factors.<sup>5</sup>

The main differences, however, lie in the sanctions system. The Norwegian Company Act applies identical sanctions for breaches of all rules, from warnings and punitive fines to forced dissolution. It is less clear what sanctions systems other countries have adopted and implemented. This system appears the strictest. France and Belgium come the closest to Norway, followed by Italy, Germany, Portugal and Austria. Spain and Iceland apply, in reality, no sanctions for breaches to the quota regulation (Gabaldon and Gimenez 2017; Kirsch 2017) (see Table 7.3).

Many countries have introduced recommendations for gender balance on corporate boards, for example in corporate codes of conduct or in recommendations for corporate governance. The Danish and Dutch systems have been characterized as *de facto* gender quotas (cf. Piscopo and Muntean 2018), although they rely more on recommendations rather than enforcement mechanisms (Agustín et al. 2018, 2020; Krusinga and Senden 2017). In addition, Finland, Luxembourg, Ireland, the United Kingdom and Sweden have also introduced recommendations for gender-balanced boards, and largely have succeeded in notably increasing the representation of women on corporate boards (Teigen 2021).

<sup>5</sup> Statutory regulations of gender balance have been debated and introduced outside Europe. For example, in 2011, Israel passed a requirement in company legislation for at least one female director for public limited companies. The numbers from 2014 show that women constitute 17 per cent of the boards of the 100 biggest companies in Israel, and 89 per cent of companies have at least one woman on the board.

**Table 7.3** Gender quotas for corporate boards by country, type of quota, year, company type, and sanction

Country	Quota %	Adoption year	Implementation year	Company type	Sanctions
Norway	40	2003	2008	All public limited companies (listed companies)	Stepwise process: 1) dialogue and warning; 2) company fine; 3) dissolution of the company
Spain	40	2007	2015	All listed companies and companies with $\geq 250$ employees	Consequences for state subsidiaries and contracts
Iceland	40	2010	2013	Companies with $\geq 50$ employees	No sanctions
France	40	2011	2014 (20%) 2017 (40%)	Companies with $\geq 500$ employees or €50 million in revenue	No payment of fees to directors
Belgium	33	2011	2017–2018	All publicly listed companies	Empty seat sanction; appointments invalid, and directors' benefits suspended until enough women are appointed
Italy	20–33	2011	2012 (20%) 2015 (33%) (expires in 2022)	All publicly listed companies	Stepwise process: 1) warning; 2) economic sanctions on the company; 3) removal of board members
Germany	30	2014	2016	All publicly listed companies and companies with $\geq 2000$ employees; European companies (SE)	Empty seat sanction; appointments invalid until enough women are appointed
Portugal	33	2017	2018 (20%)	All publicly listed companies	Empty seat and economic sanctions
Austria	30	2017	2020 (33%) 2018/2022	All publicly listed companies	Empty seat sanction

Source: [Teigen 2021](#)

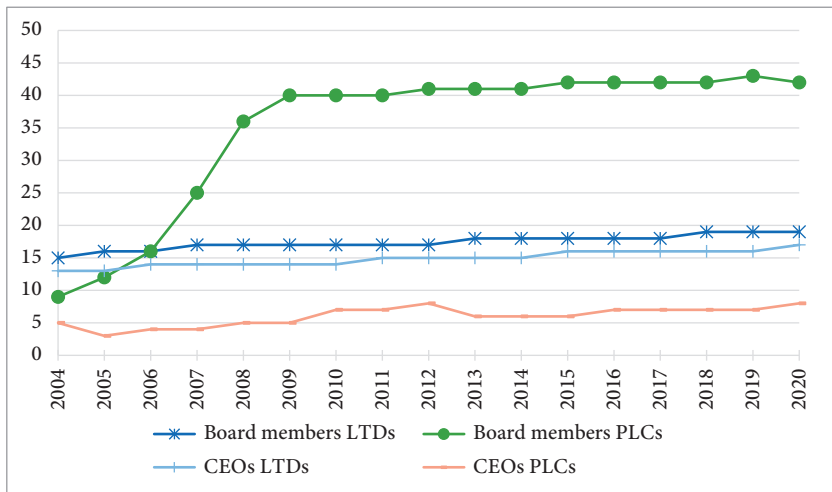
At the EU level, the Commission's initiative to establish a gender balance directive for corporate boards has also been part of the ongoing diffusion of gender quota policies. The directive aimed at securing membership of at least 40 per cent for the under-represented gender on non-executive boards by 2018 and for all publicly listed companies by 2020. The EU parliament passed the directive, but it did not get support from a majority of the European Commission (Inderhaug 2019; Skjeie et al. 2019).

An EU-directive on improving the gender balance among non-executives directors of listed companies was proposed by the EU Commission in 2012. The directive has been pending for ten years, but recently agreed upon by the Commission in June 2022. Hence, it can be considered a significant policy success that a Norwegian regulation, without further Nordic spread (although with Iceland as exception), nevertheless received such extensive attention and introduction of parallel regulation, as well as leading to extensive debate about continued male dominance in boards in particular, but also at the top of business in general. Despite success in this sense, the regulation of gender quotas for corporate boards has not delivered in other ways. Gender balance in boards has, for example, only to a small extent led to increased gender balance in the management of the companies.

### Counter-narratives

Norway's introduction of gender quotas for corporate boards has succeeded in achieving what the regulation prescribed: at least 40 per cent of each gender on the boards covered by the regulation. Still, the regulation of gender quotas for corporate boards has not contributed much to changing the gender composition at the executive heart of Norwegian corporations. First, the increased proportion of women on the boards of public limited companies has not had any contagious effect on the boards of private limited liability companies, where the increased share of women on the boards has been modest. Second, there have been no ripple effects from the boards to the CEOs of the companies covered by gender quota rules. In fact, women are more poorly represented among CEOs in public limited companies than in private limited companies (Figure 7.3). The lack of ripple effects is further confirmed in a more detailed analysis of the 200 largest Norwegian companies by revenue, comparing the share of women on boards, in the top management groups, and among the CEOs (CORE 2020).

Expectations of spillover effects have been strong among supporters of gender quotas for corporate boards. These expectations were spurred by analyses carried out prior to the introduction of gender quotas, showing a positive correlation between the proportion of women on boards and in top management (Joy 2008). However, the causal direction does not necessarily go from boards to management. It is equally likely that companies that are favourable to the advancement of women's careers and the inclusion of women in top management



**Fig. 7.3** Share of women board members and CEOs in all limited companies (LTDs) and public limited companies (PLCs) from 2004 to 2020 (%)

Source: Statistics Norway, <https://www.ssb.no/styre/>

are probably also more inclusive of women in corporate boards. More research is needed on the factors that are important for promoting gender-balanced careers and recruiting more women into company management. This issue affects the broader diversity agenda on what promotes and inhibits recruitment to the top management positions of people other than white middle-class men. Whether an increasing proportion of women at the top of the business community is an important step toward greater diversity or just represents an improvement in the situation of privileged white middle-class women, is an element to discuss in light of policy success.

### Conclusion: A Work in Progress

Although stubborn male dominance has far from been completely eradicated from Norway's business life, the introduction of gender quotas for corporate boards has shown that change is possible and that competent women for such positions can be found, despite strong forces claiming that such did not exist.

The adoption and later successful implementation of gender quotas for corporate boards equips us with a main lesson about how persistent political will and patient policymaking can lead to the introduction of policies that at first appear politically impossible and at odds with basic rights.

Second, we learn that explicit policy formulation—clear targets, enforcement rules and sanction systems—is of the high importance for successful

implementation. This is probably of particular pertinence in cases such as this where the policy addressed is highly controversial among those directly concerned, especially when these are people in positions of power, such as business executives and company owners.

A third lesson concerns how the regulation of gender quotas for corporate boards appears to have promoted a change of opinions. As shown in this chapter, support for gender quotas for corporate boards has clearly been more positive after the introduction than before, especially among those directly concerned. Moreover, the introduction of gender quotas for corporate boards appears to have stimulated the debate beyond Norway on feasible policies to promote gender balance in the corporate world. In fact, several countries of Europe have introduced similar or resembling regulations of gender quotas for corporate boards.

Both the changing opinions, as documented by studies from Norway, and the circulation of gender quotas for corporate boards in Europe, feed into the literature on policy feedback. New policies may be successful in the sense that they manage to shift norms, agendas and interests in relation to the issue under address. Such policy feedback may be positive, and change the discourse towards more democratic, liberal and equal societies. However, the lesson that policies may change the discourse goes unfortunately also the other way around, as illustrated by ongoing processes of democratic dismantling and democratic backsliding, where gender is at the heart of such processes in many countries of Europe (Krizsan and Roggeband 2019). In addition, there is a need for more knowledge about the conditions for policy feedback, including the dangers that new policies may have boomerang effects.

Finally, the introduction of gender quotas for corporate boards gives us a lesson on curbing our enthusiasm for the wider effects of a new policy. In the case of gender quotas for corporate boards, we have indeed seen that they are successful in changing the gender composition of corporate boards. However, in the executive ranks, men still dominate extensively. Hence, there is little indication of more women on boards being a successful strategy to advance gender balance beyond the boards.

### Questions for discussion

1. How can gender quotas for corporate boards be justified—or why not?
2. What are the main arguments for and against the importance of promoting gender balance in top positions in society and politics?
3. What are the promises and pitfalls of policy feedback in the current situation in Europe (as for the rest of the world) of increasing polarization (and right-wing radicals/extremists)?
4. Why, if so, is it important to change patterns of male dominance in top positions, and what strategies could be introduced to make changes happen?

## Links to online resources

Information from CORE Centre for research on gender equality, lots of easily accessible information on research findings under 'Publications': <https://www.samfunnsforskning.no/core/english/>.

Gender quota database, showing the dispersion of gender quotas worldwide: <https://www.idea.int/data-tools/data/gender-quotas/quotas/>.

The European Gender Equality Institute's index is a tool to measure the progress of gender equality in the EU. This index is rather advanced: <https://eige.europa.eu/gender-equality-index/2020/>.

Statistics on gender equality in Norway: [https://www.bufdir.no/Statistikk\\_og\\_analyse/kjonnsligestilling/](https://www.bufdir.no/Statistikk_og_analyse/kjonnsligestilling/).

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# 8

## Student Financing for Social Equity in Norway, 1947–2020

*Jostein Askim*

### **Building Social Equity through Education**

This chapter examines the success of Norway's student financing policy programme, which was launched in 1947 and is in place to this day.<sup>1</sup> The programme started after Norway's national unity government stated in June 1945: 'Everyone must have access to a proper education, one suitable to their talents and skills, irrespective of their means and of where they live' ([The Norwegian Government 1945](#)). In adopting the programme, Norway's political leaders have sought to tackle multiple challenges, including inequalities between the rich and the poor, the urban and the rural population, and men and women. This chapter provides the argument that Norway's student financing policy programme is a success because it has been a major contributor to social equity. The programme has dramatically widened access to higher education and has contributed to taking Norway close to being a global pioneer in terms of social mobility.

This chapter will compare the Norwegian student financing programme with that of other countries, revisit the programme's performance vis-à-vis original and revised policy objectives, and discuss the current challenges and possible routes forward, with an objective to maintain the programme's social and political support. I will begin by reconstructing the programme's history from its genesis in 1945 and through transformations including the incorporation of non-repayable grants in the late 1950s, the conversion from needs-based to universal eligibility for support around 1970 and the introduction of progression-dependent grants in the early 2000s. By way of introduction, Box 8.1 presents basic facts about the student support programme.

<sup>1</sup> The author thanks Torill Margrethe Måseide, Vibeke Opheim, Mari Teigen, Fredrik Engelstad and the volume editors for comments to earlier versions of the chapter.

### **Box 8.1 Norway's Student Support Programme, 2020/21**

The programme aims to (1) contribute to equal opportunity to education regardless of geographical circumstances, age, gender, disability and financial and social circumstances; (2) secure the provision of skills to society and the labour market; and (3) ensure that education takes place under satisfactory working conditions, thereby ensuring efficient study progression (The Student Financial Aid Act 2020, Section 1).

The programme offers support to students in secondary and tertiary (higher) education. All applicants that satisfy a set of basic criteria receive support. For higher education students over the age of 19, eligibility for support is not dependent on the financial situation of parents or of the partner/spouse. Needs-based criteria apply only for the applicant's own financial situation. The support is reduced if the applicant earns more than about 20.000 euros per year or has more than about 40.000 euros in savings.

The programme is administered by the State Educational Loan Fund (SELF), a state-owned bank organized as a government agency under the Ministry of Education and Research. Higher education institutions report to SELF whether students show up, complete exams or quit their studies, but other than that, applications, payment and repayment of loans are matters directly resolved between the student and SELF.

In 2020, a total of about 3.5 billion euros was paid out in student support. The typical full-time student in higher education receives about 1100 euros per month, 11 months per year. Add-ons apply for students who pay study fees, have children under the age of 16, or have a disability. The student support is initially given as a loan, but 40% of the loan is converted to a grant if students live away from their parents, pass their courses and complete a degree. Allowances or tax incentives to parents do not feature in the Norwegian programme.

The programme is funded by annual budget provisions over the state budget. In 2020, SELF's total volume of outstanding loans was about 20 billion euros; 1,1 million people, about a fifth of the total population, were active SELF clients—about one-third of whom received support and two-thirds repaid loans.

Loan interests are calculated from the first month after graduation. The interest rate is set by the Financial Supervisory Authority at modest market levels six times per year. Repayment starts seven months after graduation. A typical repayment scheme could be 30.000 euros in debt repaid with monthly instalments over 20 years.

*Sources:* The Student Financial Aid Act, [SELF 2021](#); [European Commission \(2020: 91–92\)](#)

## Student Financing's Policy Trajectory

### Genesis: The postwar rebuild

This story begins with a pledge made by Norway's government after liberation from occupation by Nazi Germany in June 1945: 'Everyone must have access to a proper education, one suitable to their talents and skills, irrespective of their means and of where they live' ([The Norwegian Government 1945](#), section IV).<sup>2</sup> The government at the time was a cross-partisan unity government which was in position until the first postwar general election in the fall of 1945. The pledge marked the start of a series of education reforms aiming to fill the growing need for a well-educated population. There had been limited focus on higher education in Norway, not only during the Second World War but also in the 1920s and 1930s, and now a skilled workforce was needed to rebuild the country after the war.

In late 1945, a Labour single-party majority government took office. The government soon appointed an ad hoc advisory committee, chaired by a university professor, to develop proposals for a student financial support programme. The committee delivered its report in early 1947. Later that same year, the Labour government submitted its proposal to the parliament (*Stortinget*), in the shape of the 1947 State Educational Loan Fund Act.

That the parliament voted unanimously for the proposal demonstrates that there was broad political agreement about the student support policy. In addition, it reflects the broader consensus culture in Norwegian politics that prevailed in this period, driven by a perceived imperative to unite across political parties to rebuild the country ([Helle et al. 2019](#)). Moreover, the ability to reach compromises between Communists, Social Democrats and Conservatives in the parliament was facilitated by cross-partisan personal ties having been established amongst exiled and imprisoned Norwegian politicians during the German occupation. It was, therefore, not atypical for this period that the Labour government, despite having the majority support in the parliament, proposed a watered-down version of the Labour Party's primary student financing policy to secure cross-partisan support in the parliament.<sup>3</sup> The proposed State Educational Loan Fund was a loan scheme where applicants did not need a guarantee and where loans were interest-free during the period of study. This scheme reduced the need for

<sup>2</sup> Sources for the historical overview were [Kleppe et al. 1995](#) (especially appendix Chapter 6), [Aamodt et al. 1999](#) (especially Chapter 3), [Rotevatn 1997](#), and [Røseth 2003](#). Note that quotes from parliamentary proceedings, newspapers, government reports and other Norwegian sources have been translated by the author.

<sup>3</sup> The Labour Party's 1945 election manifesto said, 'The aim is that the state fully finances the higher education for talented youth who lack the fiscal ability to study' ([NSD 2021](#)).

financing studies through ordinary bank loans guaranteed by the student's family and with interests calculated from day one. The programme also replaced several smaller poor-man loan schemes administered by universities and student organizations.

Although the Conservative Party representatives voted for the government proposal, they voiced some concern during the parliamentary debate. Representative Mr Niels H. Koldrup, suggested that money from the Loan Fund could be spent 'living the happy student life', and expressed concern that borrowers could die and leave their debts unpaid. Labour's education minister Mr Kaare Fostervold replied that the use of the money would be subject to close oversight. Some of the Labour Party representatives also voiced concerns, despite their joining ranks and voting for the proposal. Representative Mr Jakob Friis pointed out that the proposal was far removed from the end objective, that the state ought to shoulder more of the costs, ideally all costs of studying, and that the proposal reflected an 'individualistic mindset'. Representative Mr. Jens M. A. Jenssen from the Communist Party supported the government proposal's notion that a study loan should be considered a personal investment ([Norwegian Parliament 1947](#): 279).

The Oslo student newspaper *Universitas* commented the following to the news of the establishment of the study support programme (*Universitas*, October 16 1947): 'A great opportunity is now offered to Norwegian youth. A student needs no longer starve himself to a university degree or work his health to bits doing poorly paid nightshift jobs. Money is no longer an important factor in the competition between the students.' During the next 10 years, the number of loan recipients increased as the programme was expanded by incorporating new groups of students in the eligibility base. By the mid-1950s, students in all forms of higher education were covered, including technical and vocational colleges, teacher colleges, and nursing training colleges. In 1947, a total of 3,3 MNOK was loaned to 2,200 students. By 1957, the loans had increased to 25 MNOK and the number of loan recipients had quadrupled to 9,000.

Loans were given strictly based on needs. Each individual application was considered by the SELF board, initially using open criteria like 'unable to secure funding from other sources', and later using set criteria pertaining to the financial situation of the applicant's parents, thus reducing the scope for personal judgement in the processing of applications. *Universitas* was positive about the means-based logic (*Universitas*, October 16 1947): 'It is not the case that anyone can fill out a form or two and then be guaranteed a certain sum of money each term throughout the study period. First of all, one must prove that one needs financial help. And secondly, one must term by term demonstrate that honesty [about being a diligent student] is more than a façade. The idea is not that the loan fund shall offer a lazy student a carefree stay in Oslo for a few years. (...) Performing up to scratch does not mean top results in record time but even and steady progress in accordance with one's abilities.'

## From loans-only to loans-and-grants packages

The student population grew considerably in the 1960s. This was not just a post-war baby boom effect but also a result of the introduction of a grants scheme, which meant more young people could afford to pursue higher education. In addition to freedom from interest during the period of study, there had originally not been a grants component to Norway's student support programme. This changed in 1957, when a state education grant was incorporated. The process was similar to that which led to the establishment of the student support programme 10 years earlier: after having obtained advice from an ad hoc committee, a majority Labour government presented a reform proposal to the parliament that was modest compared to the Labour Party's primary policy position. All the major political parties in the parliament supported the proposal. Support from the Conservative Party was secured by keeping the total volume of subsidies low and by prioritizing students with very limited means. Support from the centrist parties (the Liberals, the Christian Democrats and the Agrarians) was secured by prioritizing students from non-urban areas who had to live away from home to study (Røseth 2003: 45).

The government pledged to increase the volume of state educational grants substantially over the coming years, thus making grants a major part of the programme. One by one, small and special-purpose grants schemes originally administered by various line ministries and education institutions were incorporated into the umbrella programme administered by SELF, thus greatly expanding the grants element of the student support programme during the 1960s. Grants were still allocated on a strict needs basis and, importantly, the total volume of grants SELF paid out was capped by the government's budgetary provision for that year. By contrast, the loan scheme was based on individual rights; anyone who satisfied the needs-based criteria was granted a student loan, even if the total cost exceeded those stipulated by the annual budget. With these parameters in place, during 1945–1965, Norway was the OECD country that spent the largest share of its GDP on financial aid for students (Garritzmann 2016: 240).

## From needs-based to universal eligibility

The next major change in the student financing policy occurred in the late 1960s and early 1970s with the shift from needs-based to universal eligibility for support. This shift was not the result of a streamlined process but rather of prolonged 'muddling through' (Lindblom 1979). A Labour government set up an advisory committee in 1962 tasked with proposing reforms based on the expectation of economic growth, thus allowing for expansion, and a fresh look at the whole student support programme—from its eligibility criteria to the loans/grants ratio, interest rates and repayment principles.

The completion of the report and the Ministry of Education's subsequent hammering out of reform proposals coincided with the end of a 20-year period of continuous Labour Party dominance. The left and the right sides of the political spectrum now had similar levels of electoral support, resulting in three shifts back and forth between Labour and Conservative governments between 1963 and 1965.

This did halt the momentum. For one thing, the student financing policy reforms in this period reflected how the economic growth fuelled broader policy reorientations on both sides of the political spectrum. For many years, the Labour Party had seen student financing as a tool for redistribution and macroeconomic planning; now, the balance shifted towards the latter. In addition to expanding the capacity of universities and other higher educational institutions, securing a highly skilled workforce necessitated extending eligibility for grants beyond the economically underprivileged students. As a small country with an open economy, Norway needed to incentivize as many youths as possible to study, even if that meant transforming the students' financial support scheme from a redistribution policy to a distribution policy, to borrow [Lowi's \(1972\)](#) terminology.

In addition, the Conservatives softened their stance that taking a higher education degree was an individual, private investment decision; now, they too saw the government incentivizing higher education as a viable and necessary strategy for national economic growth ([Rødseth 2003](#): 48–54). The stage was therefore set for cross-partisan agreement on universal eligibility for study grants.

In 1964, the advisory committee delivered its report, which contained a number of reform proposals ([Ministry of Church Affairs and Education 1964](#)). In 1969, under a Conservative government, a proposal for a reformed student support act was presented to and accepted by the parliament. Some, but not all, student grants were subjected to universal eligibility under the reformed programme, thus reducing the overall application of the needs-based principle.

The idea of universal eligibility matured quickly. In the years that followed, a series of incremental, low-profile decisions by the government, the parliament (as part of state budget proposals) and SELF (e.g. as adjustment of applicant guidelines) had, in sum, transformed the programme. By 1972, it was clear that the student support programme had changed from one where eligibility for grants was needs based (i.e. means-tested against the financial situation of the parents, in most cases) to a programme where anyone 20 years and older was eligible for both loans and grants.

### Policy consolidation and volume growth

Next followed a long period of programme stability. From the mid-1970s to the mid-1990s, higher education reforms in Norway generally concerned the content

of education, not the structure of the education system, apart from the merging of small and specialized colleges into larger higher education institutions (Aamodt et al. 1999: 38–40). Still, the introduction of universal eligibility combined with a growth in the student population (driven by more women taking higher education) meant that the student support programme's volume grew considerably from the mid-1970s. In the mid-1980s, about four billion crowns were paid out in loans and grants to 150,000 recipients; in the mid-1990s, about 10 billion crowns were paid out to 230,000 recipients.

In the mid-1980s, the grants element was overhauled. The number of grant schemes within the programme was reduced and a simple principle was introduced, following up a proposal made in 1979 from yet another ad hoc advisory committee (Sand et al. 1979): independent of the level of support they needed to complete their degree, students would receive a percentage share as a grant and the rest as a loan. This so-called percentage principle has remained in place to the present day. A cap on total grants was introduced as a safety valve against extraordinary costs (e.g. very high tuition fees). However, the grants percentage was to be decided annually by the government. Although a limited number of add-on grants were continued (e.g. for students with young children), the system was greatly simplified by the introduction of the percentage principle. The introduction of the percentage principle made it clear that loans and grants were a package, an unusual feature internationally. Most countries that provide both public grants and publicly subsidized loans conceive them as two separate means of student support. Germany is one of the few other countries that provide them as a 'package'.<sup>4</sup>

In 1995, an ad hoc advisory committee led by the former Labour Finance Minister Per Kleppe proposed a strategic breach with the traditional policy of having state banks offer credit, thus acting as instruments of public policy. The committee made an exception for SELF, which, according to the report (Kleppe et al. 1995: 17–18),

fills needs in society that the private finance market cannot fill. Education loans come with a substantial risk for the credit giver, so private banks will be reluctant. At the same time, education has a return on investment for the society in addition to the return for the person that is being educated. There are therefore arguments for offering state credit and for giving support in the form of grants or subsidised interests.

The Kleppe committee's arguments for keeping a state bank for students were thus essentially the same as those used by the government 50 years earlier, only expressed in more modern economic lingo.

<sup>4</sup> Half the support students receive in Germany is awarded as a grant and the other half as an interest-free loan (European Commission 2020).

### Incentivizing progression: Towards conditional grants

Towards the end of the 1990s, there was a growing and cross-partisan concern about the effectiveness of the higher education system and of the student support programme. The problems included low progression, that is, students taking too long to finish their degrees, and high dropout rates, combined with high costs for the state. Several policy changes were prepared and implemented under the umbrella term ‘The Quality Reform’ by governments of different colour between the late 1990s and the early 2000s. Among these changes was rearranging degree structures and grading scales so they conformed with emerging common standards across Europe (Gornitzka 2007). Changes were also made to the model for financing public universities and university colleges.

As for Norway’s student support programme, the main change under the Quality Reform umbrella was the introduction of a strong merit element in the provision of non-repayable grants (Opheim 2011). In 1998, a Christian Democrats-led government set up an ad hoc advisory committee and tasked it with proposing changes that would give the students ‘incentives for effective completion of their studies’ (Aamodt et al. 1999: 7). When the committee submitted its report, a minority Labour government had taken over and it took the committee’s proposals on board. A central—and, as it turned out, politically controversial—element of the Labour government’s reform proposal in 2000 was a performance-related repayment arrangement. From now on, all student support would formally be initially a loan. Later, in accordance with the percentage principle, a percentage share of the loan would be converted into a grant on the condition that the student had completed his/her exams and degrees. The reform also substantially increased the total level of support (by about 15%) and the grants percentage of the total support from 30 per cent to 40 per cent.

Strengthening the meritocratic element in the loans-to-grants conversion alleviated a concern that had been voiced by Conservative politicians already in 1947, namely that taxpayers should not carry the burden of students living the easy life (Opheim 2011). However, when the Labour government submitted its Quality Reform proposal to the parliament, the government was accused of being heavy-handed in the design of the merit element. Several parties from across the political spectrum spoke against the idea that students who failed all exams would see nothing of their loans converted into a grant. In the more moderate model preferred by the Conservative Party and the centre parties, 30 per cent of the loan would automatically be converted to a grant; only 10 per cent of the loan would be converted to a grant depending on academic progression.

In the parliamentary debate, Mr Inge Lønning of the Conservative Party accused the government of ‘whipping and punishing those struggling to keep up, instead of using rewards’ (The Norwegian Parliament 2001: 3632). Mr Rolf Reikvam of the Socialist Left Party claimed that the reform would prevent



working-class children from pursuing higher education; the economic risk of failing would be too great for those less well off. Reikvam accused the government of pushing through a reform with a ‘view of human nature that says the harder you hit them with a stick, the better people will do’ ([The Norwegian Parliament 2001: 3633](#)).

In the end, only the furthest right party in the parliament, the Progress Party, voted with the Labour Party on the matter of 100 per cent progression-dependent grants. However, that was sufficient to ensure a parliamentary majority. The new grants scheme was implemented alongside the rest of the Quality Reform by the government that took over after the general election in September 2001, a government consisting of the Christian Democrats, the Conservatives and the Liberals.

### Students’ purchasing power and work–study balance

Finding the right level of total loans and grants per person has been a politically sensitive issue throughout SELF’s history. Norway experienced dramatic economic growth in the postwar period, largely driven by oil exports. With all citizens’ purchasing power on the rise, the political parties have repeatedly renegotiated compromises about student economy: which purchasing power should students have, and how should the student’s economic situation develop over time? Various models of tying the development of the student economy to that of the general economy have been introduced. For example, the student economy was, in principle, pegged to the general welfare development under the Labour rule in the 1970s, then to the welfare of ‘unmarried male industrial workers’ under the Conservative rule in the 1980s, and then to a price index under the Labour rule in the 1990s. These models were short-lived, though, with ad hoc rationales influencing the annual state budget compromises in the parliament. Since the 1980s, the student economy has gradually fallen behind compared to the general economic welfare in society.

Opinions differ, of course, about which purchasing power students can reasonably expect during their student period. However, according to [The National Union of Students in Norway \(2021\)](#), which is the largest student organization, the current level of support from SELF covers 68 per cent of students’ costs of living.

The gap between state support and the cost of living is the main explanation for why students work alongside studying. [Hauschildt et al. \(2019\)](#) found that 71 per cent of students undertake paid work in an average week in Norway, compared to 59 per cent on average across other European countries. On average, Norwegian students reportedly study 32 hours per week, which is about the same as in other European countries, although this number is lower than in, for example, Denmark and Italy ([Statistics Norway 2018](#)).

In 2016, following many years of lobbying from student organizations, the parliament unanimously voted for a proposal from the Conservative government to increase financial support by extending the number of months students receive support in annually from 10 to 11. The reform was fully implemented in 2020, thus narrowing the gap between the state support and the cost of living. However, a gap remains, according to [The National Union of Students \(2021\)](#):

there is still a long way to go before the level of student support is at a level that allows students to focus fully on their studies (...). Today, there are two groups of students who are in very different positions; those who have parents who can help them in a demanding financial everyday life, and those who do not. As a result, not everyone has the same opportunity to take higher education.

Moreover, the student economy has remained subject to party-politicized and unpredictable ad hoc negotiations over the state budget. The National Union of Students has advocated for a solid connection between the annual development of the student economy and the general welfare development. Specifically, it has proposed that student support should be 1.5 times Norway's 'national insurance basic amount'. This amount, usually referred to as 'G' in Norwegian (for *grunnbeløp*), is used by the state to calculate, for example, national insurance pensions, service fees, taxes and fines, and it is adjusted in May every year by the national parliament to match the price growth in the society ([Statistics Norway 2021a](#)).

### En route to 'G'? The road ahead

Judging from the party manifestos prepared by Norway's political parties in relation to the September 2021 general election, the National Union of Students has been successful in lobbying for a higher support level and, more importantly, tying the level of support to the general welfare development in society. As shown in [Table 8.1](#), most parties are now on board with the idea of tying the student support to 'G', either at an unspecified level (Progressives), at the 1.5 G-level proposed by the student organization (Liberals, Christian Democrats and Greens) or higher (Socialist Left and Reds). The two largest parties, Conservatives and Labour, have only pledged to increase the level of support; they are reluctant to commit to the likely continuous growth in student support that would follow from tying it to 'G'. Still, it appears to be only a matter of time before the over-time development in the total level of student support is depoliticized or, more precisely, before the support level is decided in the same routinized fashion as major social welfare benefits.

Judging from the manifestos, one political disagreement over student financing going forward will be about SELF's monopoly on student loans—the Progressives want it absolved. Nonetheless, SELF's central position in the student-financing

**Table 8.1** Student financing policy pledges 2021–2025 by political parties

<i>Party</i>	<i>Policy</i>
Progressives	Students should have ‘the purchasing power to study full time’; the sum of loans and grants ‘should be tied to the national insurance basic amount [G] so that [they] follow the ordinary wage and price increase’. Increase the grant ratio for students who complete degrees on time. Private banks should offer student loans on terms like those offered by SELF, facilitated by the state guaranteeing the loans.
Conservatives	‘Increase the support more than society’s wages and prices increase’
Liberals	‘Increase the support level to 1.5 G’
Christian Dems	‘Increase the access to student loans so that the total student support reaches 1.5 G’
Agrarians	‘Increase the grants’; reverse the model whereby the conversion of loans to grants is conditioned on students completing exams and degrees
The Greens	‘Increase the support level to 1.5 G over 12 months’
Labour	‘Increase the support and develop a new model for student financing that facilitates studying full time’
Socialist Left	‘Introduce 12 months [of] student financing and increase the total student support to 2G with the grants share at the present level’; reintroduce the loans-to-grants conversion model where the grants share was the same whether students completed their degrees or not.
The Red Party	‘Increase student support to 2.5 G’, grants share at 60% (100% in the long term) and unconditional grants (automatic conversion of loans to grants, not dependent on progression/merit)

*Source:* Party/election manifestos 2021–2025 collected from political party webpages (accessed 16 July 2021). The table displays policies of political parties represented in the national parliament between 2017 and 2021.

programme appears relatively safe, as no other parties question its monopoly at this time. One issue that appears to be at play is the level of grants relative to loans. The percentage model itself appears institutionalized, but a possible development is that the grants share, at least temporarily, is reduced to below the current 40 per cent to allow for an increase in the total level of support to 1.5 G or more (although the Socialist Left and the Reds would evidently object to a lower grants’ share). Another issue that might be at play is the merit element in the conversion of loans to grants, a model that caused controversy upon its introduction in 2000. Here, the Progressives advocate for a stronger merit element while most parties on the left advocate for abolishing the merit model and making grants unconditional. However, the Labour Party and the Conservatives have maintained silence on the issue, which suggests that no reform is imminent.

## A Policy Success?

It is not a straightforward exercise to evaluate a policy programme such as Norway's student financing scheme, which has been in operation for 75 years across 22 governments of different political complexions and dramatic changes occurring in the programme's 'raw materials', including the economy, the labour market and society's demographic composition. For example, when trying to understand a student support scheme's effects on desired outcomes such as educational participation and social equity, it is necessary to consider other policies that contribute to the same outcomes. First, tuition fees affect educational participation. Tuition fee policies have received far more attention in higher education scholarship than financial support policies have; in a comparative context, the Nordic countries are low-tuition, high-subsidy regimes (Garritzmann 2016: 83, 89). Of all Norwegian students, 84 per cent study at public higher education institutions where there are no tuition fees (European Commission 2020). Therefore, the government's financial support predominantly covers the cost of living; for most, direct study costs are limited to paying for textbooks.<sup>5</sup>

Second, the relationship between student support and another salient programmatic assessment criterion, gender equality, is complex. The student support programme has strengthened the ability of generations of women to make their own decisions about pursuing higher education, independent of the attitudes and resources of parents and spouses. Socially progressive reforms since the late 1980s have stimulated gender equality in higher education and in the labour market; it is likely that these reforms have contributed more to equalization than student support policies in the recent decades. Important examples from the Nordic countries include gender quotas, parental leave policies for men and women, and subsidized and widely available childcare (Aakvik et al. 2010; Narayan et al. 2018; Raaum et al. 2006). Still, it is likely that women's entry into higher education from the 1960s, a development undoubtedly aided by the student support scheme, meant that by the 1980s and 90s large parts of the electorate would both demand and expect progressive family and equalization policies to take effect.

Third, concerning the relationship between education and social equity, basic and secondary education policies are possibly more important than higher education policies and student support policies. We should, therefore, mention that social equity in Norway has been promoted by an education system with relatively many years of compulsory schooling and where so-called tracking occurs relatively late, that is, the practice of separating pupils by academic ability and placing them in different schools and having them follow different curricula.

<sup>5</sup> SELF offers loans to cover tuition fees at Nordic higher education institutions and grants to cover tuition fees at non-Nordic higher education institutions. A cap on the total level of financial support means that those who incur a very high tuition fee will have to pay a part of it themselves.

Still, let us not be deterred by these complexities and assess the scheme using this volume's PPPE framework (programme, process, political and endurance assessment) in combination with McConnell's four degrees of success—resilient, conflicted and precarious success and failure (McConnell 2010).

### Programmatic assessment

'Programme success occurs if the measure that government adopts (...) produces the results desired by government', according to McConnell (2010: 353). In terms of its public value proposition, Norway's student financing scheme has been remarkably stable. Judging from the mission statements (*formålsparagraf*), the objectives are practically the same in today's Student Financial Aid Act as they were in the original 1947 Norwegian State Educational Loan Fund Act. One value is about social equity: the scheme shall contribute to equal opportunity to education for all. The other value is about the labour market and macroeconomic planning: the financing scheme shall contribute to securing the provision of necessary skills to society and the labour market.

There has been no opposition to these objectives yet. Occasionally, left–right ideological differences have surfaced in the political domain concerning whether pursuing higher education should be considered a personal or societal investment. However, it has proven to be politically sustainable to have one overall objective referring to the individual and one to society, and formulate each of the objectives widely and dynamically enough to allow shifting governments to operationalize them as they see fit.

Isolating the effects of the student financing scheme on these outcome variables is difficult, possibly impossible (at least within the scope of this chapter). In addition, there is no consensus about how best to measure, for example, social equity. However, educational attainment is relatively straightforward, and with 20 per cent of adults having completed a BA and 12 per cent an MA (or equivalent degrees), higher educational attainment in Norway is slightly above the OECD average but below the EU average (OECD 2020).

It might seem paradoxical that tertiary educational attainment is not higher, given the low tuition fees and the financial support available to students. A likely explanation for this lies outside the educational system, namely that the earning advantage of taking a higher education course is low in Norway compared to other countries (OECD 2018). According to the Confederation of Norwegian Enterprise, the 'low payoff' is due to the compressed wage structure and the comparatively high wages of those with a vocational education (*Khrono*, 8 July 2020).

When we break it down, we see that women's tertiary educational attainment is substantially higher than that of men, and the difference is growing; currently,

the difference is about 20 percentage points (Statistics Norway 2021b). Lastly, tertiary educational attainment is higher among Norwegians born to immigrant parents than among the general population; the difference is about 10 percentage points for both genders. Notably, females born to immigrant parents are currently the standout group in terms of high participation in higher education (Statistics Norway 2021c).

On one important social equity measure—social mobility—Norway is currently second only to Denmark, where it takes two generations for a low-income family to reach median income. Norway, Sweden and Finland follow, at three generations. In the United Kingdom and the United States, it takes five generations, and in France and Germany, it takes six (World Economic Forum 2020: 9–10).

Related to the second core value, which concerns job skills, the World Economic Forum's Global Competitiveness Report (2019) contains relevant measures. Here, skills is defined as one of the 12 main pillars of a country's overall competitiveness. On skills, Norway is ranked 17 out of 141 countries (Singapore is ranked first). On the sub-items 'skillset of graduates' and 'ease of finding skilled employees', Norway is ranked 21 (Switzerland is ranked first) and four, respectively (the United States is ranked first).

Based on these admittedly few criteria, and with the caveat that isolating effects is difficult, we conclude that Norway's student financing scheme has been a resilient success as a programme. Its overall objectives—contributing to universal access to higher education and nudging students to acquire the skills needed for the advancement of the society and the economy—have been broadly achieved.

The less-than-overwhelming overall educational attainment is likely due to the compressed wage structure in the labour market. We place greater emphasis here on the undisputable fact that the programme has created benefits for its target groups. The economic and demographic changes that have taken place between 1945 and today demonstrate the shifting perspectives as to who needs the government's help to realize their opportunities through education, from the working class to the rural populace, women and the immigrant population. As we have seen, educational participation is now higher among women than men and higher among second-generation immigrants than in the general population.

Allowing students to focus fully on their studies is, however, one 'policy domain criterion' (McConnell 2017) where the programme can be considered a conflicted success rather than a resilient one. We have seen that a large share of Norwegian students have paid jobs to supplement state support in order to cover living costs, and that the student organizations have, for years, lobbied hard, with varying success, to tie the student economy to the general welfare development in society.

It should also be noted that the organization at the centre of the policy programme, the Norwegian State Educational Loan Fund, is one of the only three

remaining state-owned banks—government institutions that were numerous and considered essential in the postwar rebuilding of Norwegian society (Lie and Thomassen 2016). Its monopoly in offering student loans is not questioned by anyone in the political domain except the furthest-right party, the Progressive Party, and the organization enjoys very high levels of trust and satisfaction among citizens generally and its clients specifically (The Agency for Public and Financial Management 2020).

An additional point concerning the student support scheme's 'endurance' (Compton and 't Hart 2019) is that SELF has undergone many changes over the study period, some of them so dramatic that one could debate if the programme is the same as it once was. It is not altogether surprising that a policy programme has undergone major changes over the course of 75 years. Stability in terms of policy objectives and instruments is often considered positive, as an indication that a programme is like a bicycle—an invention so good that it cannot be improved. In the case of the Norwegian student support programme, a lack of change over time would have been a downright policy fiasco, because the programme's objectives are dynamic. As mentioned, the original objectives of equal opportunity to education and the provision of skills demanded by the labour market are dynamic. By implication, the programme should change too so it continues to deliver on these objectives. Looking at the programme outcomes, one can ask if they are the fruition of a grand scheme made at one point in time. The stability of the programme objectives, albeit dynamic, made-to-last ones, and of the administrative institution, SELF, suggest that the overall answer is yes.

Before we move on to the process assessment, note that the Norwegian student support scheme is costly. Probably, only a wealthy state with citizens willing to pay high taxes can carry the cost of generous grants and the risk of lending to students. Also, the scheme has side effects: having the chance to finance their studies without the support of the parents means young people can 'liberate' themselves from their family. Offering the highest grants to those students living outside their parents' household, as Norway's scheme does, gives additional incentives to 'leave home.' These are side effects some value more than others, depending on their view of the importance of family.

### Process assessment

Process success refers to 'thoughtful and effective policy-making practices' (Compton and 't Hart 2019)—for example, with the policy-making process offering opportunities for different stakeholders to exercise influence and different forms of expertise to be heard. On this criterion, Norway's student support scheme should be considered a resilient success. A recurring feature of the 75-year policy story has been the presence and prominence of government-appointed

commissions consisting of experts, politicians and interest groups, including student organizations.

This is not an idiosyncratic feature of the higher education sector. Having ad hoc advisory committees submit policy proposals is a permanent, universal and uncontested feature of policymaking in Norway (Krick et al. 2019). The financial support scheme story shows that it is not always straightforward to draw the line between a proposal from a singular commission and a later government reform or policy change. Typically, each decade has seen a handful of government commissions with student financial aid as a core or peripheral issue in their mandate. In many cases, several years and sometimes several governments have passed before a commission's proposal reappears in a government reform proposal. What is clear, though, is that proposals from government commissions have been a mainstay and driving force of student support policymaking throughout the post-war period.

Process success also means that a programme enjoys a sustainable coalition of supporting interests and not just an ad hoc coalition securing the initial adoption of a policy (McConnell 2010). Overall, Norway's student support scheme can be considered a resilient success against this criterion too. The Labour Party was a main steward of the programme in the early years. Conservative governments have also left their marks on the programme, though, and overall, reforms during the study period have, with few exceptions, enjoyed broad cross-partisan support. For example, the 1947 genesis proposal was unanimously supported in the parliament, albeit not without debate. The importance throughout the programme's history of ad hoc advisory commissions, from 1947 onwards, suggests that corporatist-style consensus-building is one explanation for this phenomenon.

The working relationships in the Norwegian political arena, particularly between the shifting governments of different colour, is also a factor. Notably, governments have rarely reversed programme changes introduced by predecessors. One likely reason is that governments have repeatedly opted for watered-down compromises as solutions, even when they had the parliamentary strength to push through their primary policies. Since governments will continue to change, so will policies, unless one seeks a compromise from the start. The student financing policy story illustrates that Norway's political parties, particularly the major ones, appreciate policy stability and societal trust in politicians; the story suggests that the parties fear the consequences of cancelling out hard-won policy compromises. It is possible, therefore, that the story displays a 'common good' characteristic of the sort theorized by Elinor Ostrom: political parties are 'willing to initiate cooperative action when they estimate others will reciprocate and to repeat these actions as long as a sufficient proportion of the others involved reciprocate' (Ostrom 2000: 142).



## Political assessment

One outcome of policies that provide significant political benefits and no problems to speak of is the enhancement of the reputation and electoral prospects of the government and its leaders. On this criterion, the student financing scheme is hard to place along McConnell's degrees of success scheme. If we focus on the political parties and the 22 governments that have come and gone since 1945, the programme is neither a great success any of them have been able to claim for themselves, nor a failure that potentially taints them. By and large, the programme has continuously been constructed as a compromise, and consecutive governments have not reversed decisions by predecessors. For the same reasons, if we focus on the political system and the political parties collectively, the programme is a case of resilient political success. Political contestations persist, notably on the overall level of support and on the merit element in the allocation of grants. Overall, though, the programme has an identity-conferring, above-politics kind of feature of the Norwegian welfare state, one 'infused with value' (Selznick 1957). Dismantling it, for example, by divorcing the administration of grants and loans, or discontinuing the state-owned student bank and its monopoly student loans is not something governments avoid out of fear of a pushback from, for example, student organizations, but something that is almost unimaginable.

## Conclusion and Lessons

Success in the case of Norway's student financing policy was enabled by governments repeatedly taking the long view and seeking political compromise solutions rather than trying to engage in political point scoring. As a result, shifting governments have, in the main, incrementally changed the programme and avoided reversing past governments' reforms. This rationalistic approach to policymaking was assisted by a long list of ad hoc advisory committees consisting of experts and interested parties providing governments with policy proposals. The policy story therefore has strong elements of corporatism and evidence-based policymaking.

The prospects of the policy programme continue to be bright, with only small pockets of political resistance, even if state-owned banks—one of which is at the centre of the student financing scheme—are considered an institutional anachronism in other domains of state activity. A likely development is that the scheme's incorporation into general processes of the welfare state, including decision procedures concerning support levels, will become stronger rather than weaker. That will likely 'depoliticize' the programme, which will constitute a breach with decades of student financing being a chip in annual budget negotiations in the parliament.

Drawing lessons from a 75-year long policy story should be done with circumspection: simple emulation of institutions and practices that were built on decades of adaptive policymaking is likely impossible. Also, the policy history is affected, perhaps dominated, by a rationalistic, corporatist and evidence-oriented political culture that simply does not exist beyond north-western Europe. That said, (possibly naïve) candidate takeaways from the story are (1) that it is valuable to think of a policy programme as ‘eternal’ from its initiation and (2) that the tone the government sets from the start, concerning taking other parties’ view into account and seeking compromises, can affect future rounds of policymaking; in fact, it can echo for decades; in this case, it is might do so for another century.

### Questions for discussion

1. Are you convinced Norway’s student support scheme should be considered a programmatic policy success? Is your assessment affected by the programme’s high costs for the state and side effects on family ties?
2. Why do you think the share of people that take a higher education course is not higher in Norway, despite the generous support scheme?
3. Is the success of this programme replicable in other contexts? Which contextual factors might hinder a successful replication?
4. Do you see any downside to student support, particularly the support levels, becoming increasingly integrated into the general welfare state logic and disengaged from the running party politics?
5. Do you think a generous support scheme can lure too many people into taking a higher education course? What would be indications of that, on individual and societal levels?

### Links to online resources

Statistics Norway: Facts about students in Norway:

<https://www.ssb.no/en/utdanning/artikler-og-publikasjoner/did-you-know-these-facts-about-students-in-norway/>.

Eurostudent: Social and economic conditions of student life in Europe:

<https://www.eurostudent.eu/>.

The Norwegian government’s higher education policies: <https://www.regjeringen.no/en/topics/education/higher-education/id1415/>.

Norway’s state educational loan fund:

<https://lanekassen.no/en-US/presse-og-samfunnskontakt/about-lanekassen/>.

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# Promoting and Democratizing Literature

## A Norwegian Policy Success

*Paul Bjerke, Birgitte Kjos Fonn and Lars Julius Halvorsen*

### A Crisis Averted

In the early 1960s, Norwegian literature faced a potential crisis. In a small country and language area on the outskirts of Europe, translated books began to dominate the book market. This created fear for the future of the Norwegian language and culture, but there was also concern for the individual artists, as at that time very few writers could make a living from writing (Fidjestøl 2015: 17).

According to Itamar Even-Zohar (1990: 47), a prominent contributor to the understanding of the interplay between national and translated literatures, the trend in Norway at the time has been observed in many other small language European countries. The typical result is a weak national literature, and a high dependence on and influence from imported books. In this article we argue that Norwegian literary policy, which was developed as an answer to this challenge, not only prevented such a development, but also brought Norwegian literature to a high level on many indicators.

Two decades after World War II, the Norwegian Social Democratic reign was at its height, and the literary policy that emerged was strongly influenced by the democratic corporatist model. In this governance system public policy in each societal domain is developed in close cooperation between the state and the important stakeholders. Further, policy implementation is typically conducted within an institutional framework which promotes compromises between several inter-related goals and interests, as well as the development of a consensus between the stakeholders regarding these goals (Rokkan 1966). The heritage from nation-building and democratization measures in the nineteenth century has also been an important factor influencing Norway's literary policy.

The underlying value proposition and theory of change underpinning Norway's literary policy were broadly oriented but still well defined. It had four aims: To preserve and protect Norwegian language and culture, to improve the writers' personal economy and in that way also secure an aftergrowth of new voices, secure

more stable frameworks for the commercial intermediaries that also represent a national infrastructure, and, finally, secure the accessibility, dissemination and consumption of Norwegian literature among the public (Naper 1997: 11–12; Rønning and Slaatta 2019). Over the years, objectives like democratization, free speech and diversity have come to be stressed more in policy documents (relating to literary policy as to cultural policy discourses more broadly). For example, a renewed interest in the conditions for free speech resulted in a reformulation of the Constitution's §100 in 2014—the free speech article—which underlined the values of truth, democracy and the right to free opinions (Rønning and Slaatta 2019: 16ff). These are not new objectives, rather a result of a shifting balance between an interconnected set of goals.

### Literary Policy's Evolving Architecture

Norwegian literature policy consists of various elements that build on and support each other, whereof the larger part was introduced in the 1960s. These measures have both been expanded and built upon since.

The most important instrument, at least for fiction writers whom the arrangement was originally meant for, is the *Book Purchasing Scheme*—the state's purchasing of a significant number of copies of a large number of new Norwegian quality books for public libraries each year. This contributes to strengthening the market of Norwegian quality literature, by securing more predictability for both authors and publishers.

A *VAT-exemption* for books contributes to stability and predictability in the same way. An exception from competition legislation furthermore gives the literary organizations and the Publishers' Association the right both to negotiate standard royalty contracts and regulate prices (Halvorsen 2020: 93). This tool also includes the so-called *Book Treaty*, an agreement between the Norwegian Publishers' Association and the Norwegian Booksellers' Association that was also approved by the state. The treaty requires publishers and bookstores to operate with fixed prices for new books. In return for this, each publisher is responsible for distributing books on demand to any bookstore. Bookstores play an important role in the system, as they are required to acquire any Norwegian book on demand from a customer—the so-called *skaffeplikt*. These obligations also contribute to the ambitious Norwegian district policy objective, and provide equal service throughout the country.

The book purchasing scheme also contributes greatly to the goal of providing the whole Norwegian population with easy access to quality literature through *the library system*. All 356 Norwegian municipalities have such public libraries, which is required by law. Today, the sets of approximately 600 book titles annually

purchased in the Book Purchasing Scheme, represent a substantial part of the books acquired by the public libraries (Halvorsen and Lien 2020: 393).

This leads to another building block, the *Library Compensation Fund*. Authors are compensated for income they lose from sales when their books are being freely available in public libraries. The compensations are distributed to the author associations, which in turn distribute the funds among the authors as individual grants based on application. In other words, the library compensation fund is a collective resource within the author community. The *Copy Compensation Fund* has a similar function, in that it compensates writers collectively for the copying and distribution of copyrighted material but is based on statistics and distributed to rightsholders based on the statutes of the Norwegian Copyright Act.

Norwegian literary policy also includes several aid schemes for *culture communication measures*—from support of literature festivals to the globally unique dissemination scheme for professional art and culture to all Norwegian school and high-school pupils—‘The Cultural Schoolbag’. Another important element is the state-financed NORLA, (Norwegian Literature Abroad), which promotes the export of Norwegian literature through promotion work and translation subsidies. Finally, there has also been a set of state grants that are not part of the collective compensation fund arrangements.

Although the state funds the literary support schemes, it has as a principle remained at arm’s length of its distribution. A considerable part of the direct support (grants etc.) is administered through an independent body, the Arts Council Norway. Other parts of the support are managed by the different associations and institutions involved. The process of deciding which books are to be purchased is furthermore conducted by committees composed of skilled members suggested by the stakeholder groups (literates, publishers, book traders and librarians), and the same applies to grants and compensation arrangements. Thus, the system has a clear corporative character, while the decision making follows a distinct art logic, in which procurement is decided by committees of qualified readers (Neple 2020: 128–129). Rønning and Slaatta (2019: 22) describe these boards as ‘the foremost instruments of literary policy (in Norway)’, as they perform quality assessments that in many ways resemble the system of peer review in the academy.

Despite the inter-relatedness between the various measures, the purchasing instrument promotes several of the policy aims on its own. The regulations of the publishing industry and the regime of standard contracts have further provided equal terms for commercially successful authors and niche authors. It has also reduced the price difference between literature with high and low sales, making all sorts of literature more available. The decision to organize the library and copy compensation into collective funds has the same equalizing effect. In all, the system stimulates both the creation, the publication and consumption of quality literature. In addition, it stimulates the development of new authorships.



Literary policy has many winners large and small, and yet few big losers. Most actors in the field of literature are well served by the policy—although the system has traditionally had an in-built precedence for fiction, and other kinds of literature, most notably non-fiction, has had to struggle hard to be included. The funding has also not been increased as much as to cover the growth in possible beneficiaries. One main criticism from stakeholders has primarily been that the system is not more comprehensive than it is. The few actors that are not necessarily only winners include the most commercially successful authors, who have parts of their income distributed to less commercially well-off colleagues. But even the top sellers benefit from the support in promoting Norwegian literature domestically and abroad, and commercial success is also no obstacle to competing for collective grants.

This system has survived for almost 60 years.<sup>1</sup> It has been evaluated several times and all these evaluations, including the most recent, conclude that it has been highly successful (Halvorsen et al. 2020: 463). The main features of the policy have also been remarkably stable despite a wide variation in political governing coalitions throughout the years. The mere fact that the system has not only survived, but also regularly attracted interest from new actors in the field, testifies to its solid standing.

The administration of the various literary instruments has also proved to be very cost-effective, which may be the product of sound policy design. To a large degree, existing institutions such as the literary associations and the libraries have been involved in its management, which means the demand for additional administrative capacity has been more modest than it could otherwise have been.<sup>2</sup>

The democratic–corporatist approach, in which the state cooperates with stakeholders in the field to manage a coherent literary policy, in combination with a distinct art logic in which the state maintains an arm’s length from the actual decisions, has therefore proved to be a good compromise. As we will see further on in the chapter, however, this does not mean that the system has not been contested, or that it has not had its opponents through the years. In particular, two important counter-narratives have manifested themselves during the last decades.

## How the System Came into Being

Although its main elements were a result of Social Democratic reforms from the 1960s, the cultural policies that laid the foundation for Norway’s current literary

<sup>1</sup> The Copy Compensation Fund and the dissemination schemes (inland and abroad) are of a younger date than the rest of the system.

<sup>2</sup> The procurement scheme is the ‘most expensive’ part, but the allocations over the central government budget are modest, less than NOK 100 million a year, 0.5 per cent of the cultural budget of NOK 20 billion.

policy date back to the nineteenth century. The library system is a case per se, as important tools of modernization as well as nation-building derived from a strive for independence after almost 400 years of Danish rule and then 90 in a union with Sweden. From the 1880s, the Norwegian state began to fund libraries. When Norway received full independence in 1905, there were library collections partly on public funding in almost all municipalities. This well-functioning distribution system for books has generally had an important effect on literacy and subsequently democratic participation (NOU 1991:14), and is currently a backbone in the system.

The first Norwegian public library law was passed in 1935 and strengthened in 1947, and as one of the first countries in the world, Norway established a small so-called Library Compensation Fund, based on the idea that writers should be rewarded and compensated for library lending of their books (Andreassen 2006: 35). Already in the nineteenth century the Norwegian state also supported authors with grants, although on a small scale, and at that time it functioned as a reward for previous achievements, mostly tied to the idea of nation-building, and did not harbour any of the redistributive characteristics of today's system.

In the wake of World War II, political parties of all hues gathered to carve out a common programme for the reconstruction, including a set of cultural policy goals that had as a common denominator the concern for the common good (Andreassen 2006: 34). The increased purchasing power and wealth that was ushered in with the reconstruction (and the Marshall aid), was however not primarily spent on cultural products and services, and in particular not such products of Norwegian origin. This was the background for the situation at the beginning of the 1960s, when it was claimed that the number of published Norwegian fiction novels, short story and poetry collections had shrunk by over 50 per cent in a little over 30 years (Ringdal 1993: 298, Andreassen, 2006: 36).

### Building momentum

The 1960s saw a chain of rapid developments. Already in 1962, the *Book Treaty* was established as a response to the concerns about declining book sales, an agreement that required an exemption from the existing price and competition laws.

In 1965, the purchasing scheme for (fiction) books was born. The original idea came from the head of the major public library in the capital Oslo, Henrik Hjørtøy. Key players in the further planning of what became a permanent literary policy was the leader of the Norwegian Authors' Union ('Forfatterforeningen', established 1893), Hans Heiberg, Torolf Elster in The Workers' Enlightenment Federation (AOF), and Helge Sivertsen, head of the Ministry of Church and Education (the ministry in charge of culture at the time). The ministry proposed to establish a

cultural fund, based on an existing VAT on books and a new VAT on magazines (Ringdal 1993: 297ff.).

All key players were either close to the Labour government or even part of it, though it was never a Labour project alone: there was relatively broad political agreement about the need to protect and further Norwegian literature—not primarily for literature’s own sake, but to ensure the viability of Norwegian culture at large. In a way, art got the task of saving the culture (Bjerke 2020: 42).

### Contestation

There were, however, also many faultlines. For one, there was initially considerable disagreement between the writers and the publishers. Both parties shared a concern for Norwegian language and literature, but the publishers were fighting for the removal of tax on books, and opposed the financing of the proposed system by new taxes on certain publications (Ringdal 1993: 300 ff.). The writers had no such qualms, and felt the publishers were being obstructionist. Conservative politicians and debaters had opposed the fixed-price element of the Book Treaty, but the then Directorate of Prices had used its power to advance the interests of the districts and the district booksellers—and the publishers and booksellers eventually complied.<sup>3</sup>

Some feared that the new arrangement would lead to the production of more literature of low quality, others that the state would act as a ‘cultural tyrant’, micro-managing Norwegian cultural production (Fidjestøl 2015: 259). The leader of the Publishers’ Association, Henrik Groth, protested heavily against what he described as ‘censorship and state governing of intellectual life’. Some actors in the conservative press heavily opposed what they saw as state interference from the ‘socialist state’, whereas Hans Heiberg, who fronted the campaign on behalf of the authors, was described as ‘the closest one could get to a Soviet culture commissary’ (Ringdal 1993: 300).

A political cleavage even emerged among librarians, where a conservative wing feared that the reform would lead to the state determining the libraries’ supply, whereas a Social Democratic/ Socialist wing of younger librarians advocated heavily for a more organized supply of Norwegian literature (Ringdal 1993: 302–303). Among politicians there were also elements of anti-elitist criticism against such government funding of ‘high-brow’ culture. In all, the critical voices did not have considerable political support (Bjerke 2020: 50–51), and in 1965 parliament passed the act of a culture fund that was to be financed by a magazine tax, albeit after fierce debate. The concerns about state ‘micro management’ were resolved by

<sup>3</sup> The districts have for historical and economic reasons (fishery, waterfalls, oil, shipping) had a strong position in the Norwegian political system (Rokkan 1966; Bjørklund 1999; see also Nord 2015 for an interesting comparison between Norway and Sweden).

establishing the Arts Council Norway which administered the fund at arm's length from the state.

### Compromise: The purchasing scheme

The disagreement between the stakeholders was also soon solved, in a way which shows that after all there was a considerable will to cooperate: It was decided that *all* books published by the members of the Publishers' Associations<sup>4</sup> should be bought by the newly established Arts Council. This led to the introduction of the purchasing scheme for books with 1,000 exemplars of each title.<sup>5</sup>

After a few years, a control mechanism was introduced (Bjerke 2020: 47ff), but by then the tax on books and magazines had been removed (in 1967) by a new, centre-right, government. For magazines this was only temporary as a new and more comprehensive VAT system was introduced—by a centre-right government—in 1970, but in the meantime the funding of the system had come to be channelled directly through the state budget, which according to Ringdal (1993: 306) made the system more acceptable for the publishers. One could say that the field both ate their cake and had it too.

From the 1970s a number of policy advances followed. The original arrangement with life-long grants for previous merits was replaced with shorter support schemes for authors with new projects. The principle of redistribution was authorized, and the library compensation fund was introduced as a permanent chapter in the state budget as of 1976. The Library Compensation Fund Act accordingly came into force as of 1987 (Andreassen 2006: 37). In the 1970s, a new understanding of the concept of 'culture' was also implemented, defined as more than just 'elite' culture or fine arts. This more expansive understanding of culture, prepared by two consecutive governments and implemented by a Labour government in 1973–1974, has also played an important part in the subsequent democratization of literature. Resistance among librarians also waned relatively soon as the case for democratization gained more and more ground.

### Expanding the arrangement

The new policy resulted in an immediate and enduring economic boost to the book industry and growth in the Norwegian literature. It soon turned out that the system worked too well to be limited to fiction writers. It has therefore over the years been expanded step by step, but not without combat. Non-fiction writers

<sup>4</sup> There was also one minor one, based on religious literature.

<sup>5</sup> This number has been changed as new genres have been introduced to the system.

had felt marginalized in the Norwegian Authors' Union from the start, and many were not even members (Andreassen 2006: 48). The profound bettering of the conditions for fiction writers in the 1960s and 1970s therefore led to a strong feeling of injustice. At the initiative of Bjørn Bjørnsen, a non-fiction writer who was astonished by the lack of support when he in the 1970s wrote two acclaimed documentary books, the Non-Fiction Association (NFFO) saw the light of day in 1978.

Already at the time the number of non-fiction writers by far outnumbered that of fiction writers, and the association soon grew to become the Norwegian writers' union with the most members (and also one of the largest unions of its kind in Europe, Andreassen 2006: 50). The unionization and ensuing sudden bargaining power of non-fiction writers subsequently posed a threat to fiction writers' interests, and led to a fight over the funds. The non-fiction writers started receiving library compensation fees the same year as NFFO was established, but at first this did not entail any fresh means (Andreassen 2006: 49).

One argument against including non-fiction writers in the arrangements was that non-fiction was inferior to fiction. This was a part of the quality discussion. An important aspect of this dispute was the marked difference in approach between the two major writers' unions (and accordingly also major actors in this cooperation between the state and civil society organizations). The fiction writers' association pursues strict quality control policies, and its membership figures have therefore always been limited.

Like its fiction predecessors,<sup>6</sup> the non-fiction writers' union was formed to protect its members' interests, but membership was not based on quality criteria as such, beyond the requirement that the publications that lead to membership should be published with sufficient quality control. (In practice, this mostly means being published by established publishing houses.) This difference contributes to explaining the disagreements between the unions, as the more pragmatic membership policy of the non-fiction union could threaten to undermine the whole idea of a literary policy based on artistic qualities.

The non-fiction union on the other hand argued that its members, and in particular textbook authors, in reality were those who supplied publishers with the means necessary for publishing fiction. The debate was fierce: in the heat of battle both groups accused the other of being 'pickpockets' (Ringdal 1993: 424).

Another important difference is that the non-fiction union's basic function is to work for copyright holders. In a union with many textbook writers, loss of income due to photocopying was even more of a pressing problem than for their fiction counterparts. The non-fiction union soon started to campaign for copyright compensations, and in 1980 *Kopifag*, later *Kopinor*, was established (Andreassen 2006: 50). This grew into the organization that negotiates, on behalf of more

<sup>6</sup> There are also unions for children's literature writers and playwrights.

than 20 member organizations, the size and direction of compensation for the reproduction of copyrighted material, both in print and digital versions. This soon became an achievement that also fiction writers benefitted from, but for non-fiction writers this is by far the most important part of the support scheme.

When it came to the question of a purchasing system, however, the stalemate lasted for another two decades. The system had been carefully expanded with fiction for children, translated fiction, non-fiction for children and even some essayistic writing, but the question of non-fiction was still very sensitive. As late as in 2001, the fiction authors' union described the demands from the non-fiction writers as a 'declaration of war' (Fidjestøl 2018: 24). Eventually, the parts came to the conclusion that it was crucial to work together instead of playing against each other. At the initiative of the Arts Council, which was in favour of expanding the system further, a cross-political organization called 'Action Extend the Purchasing System' was established. The director of the Arts Council discretely contacted the director of the publishing house Samlaget and former chairman of the board of the Norwegian Publishers' Association, Audun Heskestad, and suggested that he organize a lobbying campaign for the cause. Heskestad managed to gather the divided book industry around one common position, namely a purchasing scheme for non-fiction *in addition to* the current schemes (Fidjestøl 2018). In 2005, exactly 50 years after the introduction of a purchasing system for fiction, a system with a limited number of titles involved was introduced for non-fiction writers. Since then, selected picture books and comic books have also been brought into the system.

The disputes between those in favour of a further democratization of the system as opposed to those concerned for the artistic quality have continued also in later years. The most important of these emerged in 2017–2018, with a revolt among a group of fiction writers against the Authors' Union's control of who should have access to public support. This led to a new union, the Authors' Association, being established. As opposed to the Author's Union, the new association accepts all active members who have published one fiction book. The underlying conflict is therefore related to the older conflict between fiction and non-fiction writers. The result was eventually that the new Authors' Association was incorporated into the 'good company' and received its share of the compensation funds (Halvorsen 2020: 87).

### The System's Impact

This system, and in particular the purchasing scheme, has been evaluated several times. What the evaluations have in common, is that they conclude that the policy works well and as intended (Bjerke 2020: 54ff.) Publishers and authors say unambiguously that the support schemes contribute to a predictability and

stability that allows the authors and their publishers to work with literature as *art* (Halvorsen et al. 2020; Slaatta and Rønning 2019), and not (only) as a commodity in a market. The literary policy has contributed to establishing literature in Norway as a separate autonomous field (Halvorsen 2020: 105). This strengthens the art logic's position in the field and ensures good quality of *national* literature. For non-fiction, the arguments for democracy and freedom of speech are just as important.

The system is, however, still far more developed for fiction literature. For non-fiction writers, the copy compensation fund is still more important than the purchasing scheme. NFFO has always been, and still is, the major receiver of the copy compensation funds—in 2020, for example, NFFO received six times more money from this fund than the fiction writers' organizations collected. The second most important scheme for non-fiction writers is the library compensation. The system has, on the whole, been very beneficial also to non-fiction writers. Over 6,000 books have been published as a result of the redistributive grants, and the number of new published titles has doubled in the last 15 years. In all, the tendency over at least the latest decade is that almost twice as many general non-fiction books as fiction (excluding textbooks for schools and universities) have been published each year. During the same period there have also been many other advances in Norwegian literary policy with regard to non-fiction—as, for example, with a number of publicly financed research projects, university courses and export strategies (Fonn et al. forthcoming).

Despite internal differences, the system appears to benefit the Norwegian literary system on the whole. This is also apparent when we compare it with imported literature, look at sales and library figures, and examine its international standing. To start with, Norway has currently five million inhabitants. In 2019, 323 new Norwegian fiction titles were released for adults and 226 for children. The corresponding figures for translated literature were 250 and 205. The difference between Norwegian-language and translated (general) non-fiction was even higher—557 to 219. The figures for Norwegian serial literature (161) and translated entertainment novels (102) are considerably lower.<sup>7</sup>

Furthermore, 1.2 million copies of Norwegian fiction books for adults were sold in the same year, compared to 674,000 translated. While sales of Norwegian fiction are stable, sales of printed translated fiction have almost been cut in half since 2015. The tendency is the same for children's books. In 2019, 1.3 million Norwegian fiction books for children were sold, whereas translated children's literature that used to have higher sales, had dropped to 1.3 million copies in five years. Furthermore, almost 2.1 million copies of Norwegian general non-fiction were sold in Norway in 2019, whereas under 750,000 sold titles were translated non-fiction.

<sup>7</sup> [https://forleggerforeningen.no/wp-content/uploads/2022/02/Oppdatert\\_statistikk-30.6.21.pdf](https://forleggerforeningen.no/wp-content/uploads/2022/02/Oppdatert_statistikk-30.6.21.pdf)

Norwegians are energetic book readers. One in four Norwegians reports that they have read in a book on any given day; 41 per cent have read a book 'last week' (Statistisk Sentralbyrå 2021:16, 22). Alongside sales, library lending is the main distribution channel for books. The distribution of books purchased from the publishers through the procurement scheme ensures equal treatment of citizens across the country, an important Norwegian public-policy goal. This ensures both quality and diversity in the municipal book collections and is also popular with both borrowers and librarians. Norwegian public libraries lend out 17 million books annually (Halvorsen and Lien 2020: 392).

Furthermore, critically acclaimed and prize-winning Norwegian books dominate both sales and lending statistics (Halvorsen and Lien 2020: 393). This illustrates another important effect of the country's literary policy. Both Robert Escarpit and Pierre Bourdieu, two highly influential thinkers in the field of culture (and both of French origin), have described French literature as divided into two fully separated cycles of writers, publishers and readers: a 'highbrow' literature for the elite and a mass market literature for the larger population (Escarpit 1971; Bourdieu 2000). This is probably the case also in many other countries, and generally, international publishers are more often specialized with a clearer division between broad and narrow reader segments (Rønning and Slaatta 2019: 33–35). In Norway this affects *only translated literature* (Halvorsen et al. 2020: 463f.). The Norwegian policy has served to maintain a unified Norwegian literary field. The major and most renowned Norwegian publishers offer both niche and entertainment literature. Many of the authors who win the most important literary prizes also dominate the Norwegian sales and lending statistics, are celebrities in their own right, and participate in the most popular talk shows.

Norwegian authors also achieve considerable international success and are followed by literary agents, scouts and international publishers with increasing interest (Rønning and Slaatta 2019: 7). Over the last years, NORLA has regularly broken its own record when it comes to applications for translation support. After Norway was the Guest of Honour at the Frankfurt Book Fair in 2019 (in itself a sign of international recognition), Norwegian literature was translated into 48 different languages.<sup>8</sup>

## Counternarratives

As we can see, the policy has attracted broad support, but the field is also rife with disagreements. Many of them have been solved en route, but some counternarratives have prevailed. The populist counternarrative criticizing the state spending

<sup>8</sup> <https://norla.no/nb/nyheter/nyheter-fra-norla/2020-var-et-bemerkelsesverdige-godt-ar-for-norsk-litteratur-i-utlandet/>.



on niche literature, particularly poetry, has often been voiced, in later years particularly from the influential right-wing populist Progress Party (in a government coalition from 2013 to 2019), which is sceptical of most arts and cultural support.

Writers have, on the other hand, reiterated their worries that the system might encourage the publishing houses to take advantage of the benefits by approving manuscripts of poorer quality (Bjerke 2020: 54). Another possible lurking conflict is between different kinds of publishers, as it turns out that the major publishing houses benefit relatively far more from the system than the rest (Halvorsen et al. 2020). In all, neither of these concerns have so far gained much traction, but two other, themselves opposing, counternarratives have.

### More liberalization and deregulation

Internationalization and liberalization of the culture markets have gone hand in hand with an enhanced pro-competition stance, in strong opposition to the counter-competitive measures of the Book Treaty. The liberalization argument is that the system of fixed prices on new books jeopardizes the market mechanism by reducing the competition in the book market—which it obviously does—but the political disagreement is based on whether this is regarded as a problem or not. This narrative has a kinship with earlier conservative/ right-wing objections, and has surfaced once in a while, but until the early 1990s, no strong actor championed it (Fjeldstad 1993).

This changed in 1994 with the replacement of two important corporatist economic institutions, the Price Directorate and the Price Council, with the new anti-trust-oriented Norwegian Competition Authority. According to a recent Minister of Culture and a prominent parliamentarian of the last decades, the competition authority championed the liberal market narrative against the system of fixed book prices from day one. According to our interviewee, this has had little or no effect, and the solid political support for the Book Treaty has so far prevailed.<sup>9</sup>

It does, however, not exist in isolation of broader developments in trade and cultural policy. In 1997 the Publishers' Association terminated the trade agreement. Over the next few years, new and more liberalizing trade agreements were negotiated. In the 1999 trade agreement both the mandatory duty to list all releases and the fixed discounts were reduced. In 2005, the Conservative Party's Ministry of Modernization further liberalized the book agreement by allowing the bookstores to sell books at up to a 12.5 per cent discount.

As a result of these changes, the diversity in bookstores has shrunk considerably over the last 20 years. According to Cecilie Naper, a leading Norwegian researcher

<sup>9</sup> Interview with Trine Skei Grande, 8 June 2021.

in the field, translated commercial publications of more limited literary value have started to take a big bite at the expense of the award-winning literature. Historically, the lending figures at the libraries have mirrored the sales figures from the bookstore, and this appears to be the case also today.<sup>10</sup>

Since 2000, publishing houses have also merged and bought bookselling chains. The store chains are increasingly governed by commercial considerations. In Naper's view, the changes have been so grave that the informal contract between the state and the industry is threatened.<sup>11</sup> The growth of international net retailers (Amazon) and the entertainment industry has also contributed to putting the more 'idealistic' function of the retailers under pressure. Time for book reading is furthermore limited when the consumers/public can choose from several TV streaming services (Netflix, HBO, The Norwegian Broadcasting Company (NRK)).

At the same time the market for Norwegian books still features robust demand for high-quality literature. Among the stacks in the bookstores we find not only cookery books, celebrities, romance and crime fiction, but also healthy proportions of Norwegian fiction and non-fiction written by award-winning authors as well as new and interesting voices. Naper puts it this way based on her own research: 'The good literature we read is Norwegian literature' (Haagensen 2020: 38–39). It is also important to note that the 'quality' translated literature is often published by niche publishers with support from the Arts Council Norway and other non-commercial funding. This also underlines the very importance of the literary policy.

An exception from the general trend towards more deregulation took place when a centre-left government in 2013 adopted a strengthening of the current regime by replacing the book agreement with a book law (with fixed prices, among other things), but when a new centre-right majority came into office later that year, the Book Act was scrapped. In 2014, the mandatory listing was also taken out of the agreement altogether.

In 2020, the pro-competition stance gained momentum, as the Norwegian Competition Authority warned that it considered imposing fines of NOK 502 million in total on four major publishers and the book database company Bokbasen for having shared information about future book prices and the timing of book releases. The Competition Authority contends that these actors thus have 'cooperated illegally by sharing competitive sensitive information.'<sup>12</sup> The allegations are disputed—the publishers claim both that the information is publicly

<sup>10</sup> The share of bookstores that carried all purchasing literature dropped from 70 per cent to between 35 and 40 per cent 20 years later. The share of *fully assorted* bookstores at the time has dropped from 20 to 5 per cent in the same period. *Morgenbladet* 18.9.20

<sup>11</sup> *Morgenbladet* 18.9.2020

<sup>12</sup> <https://konkurransetilsynet.no/considers-imposing-fines-on-five-companies-in-the-book-market-totalling-nok-502-million/?lang=en/>.

available and a tool for bookstores and libraries—and the case is not solved. The case can, however, be seen as an example of ‘politics by other means’, as it illustrates how the ideal of ‘the invisible hand’ threatens the more visible hands of the democratic–corporative model.

### More state interference

The other counternarrative relates to the arm’s length principle. With the introduction and de facto implementation of the arm’s length principle in the 1960s, most of those who were sceptic of the role of the state were relieved. Later, the concern for the role of the state was again brought to the fore. As we have seen, all schemes were established at a time when a democratic–corporate tripartite cooperation was a key model for public governance. The organizations in a field had a decisive influence in their area, and solutions were often found as a result of negotiations between the parties—as was the case, for example, with the purchasing scheme.

During the 1990s a counternarrative to the principle of the arm’s length re-emerged among leading Social Democratic politicians. The counter argument was that the Arts Council Norway could not operate on its own and should take on the role as the state’s prolonged arm (Mangset and Hylland 2017: 224–225). In the next two decades, the debate over the role of the Arts Council followed a left–right axis in the political landscape. According to Fidjestøl (2015), the result was that the Arts Council developed into a little more of a directorate. In recent years this trend has accelerated under the new centre-right government, paving the way for exactly a kind of state micro-management for the literary policy, following more administrative, bureaucratic principles.

In this process, the negotiable elements in the Arts Council’s support schemes have been weakened. The Arts Council now *points out* members of the literature assessment committee, and more comprehensive criteria have been introduced for assessments committees’ work (Bjerke 2020: 68f.). The centre-right government had also tried to replace the field’s own grant committees with committees appointed by the minister, so far, unsuccessfully.

### A Policy Success?

In this part we will examine the results of Norwegian literary policy in the light of McConnell’s (2010) and this volume’s PPPE assessments framework, which distinguishes separate criteria sets for ‘programmatic’, ‘process’, ‘endurance’ and ‘political’ success. It should be noted that we primarily assess the success of the

system on its own terms, on the basis of its own ambitions, its ability to endure over time, and a high legitimacy among its stakeholders.

### Programme success

So far, all research-based evaluations have found that the system has met its goals. The purpose of literature policy has been and remains to ensure that national Norwegian literature of high quality is written, published, distributed and read. Thus, the support schemes have ‘created benefits for several target groups’ (McConnell: 354) such as authors, publishers, libraries and readers. Research findings that support us talking about either programmatic ‘success’ or ‘resilient success’ are high levels of production and consumption of national quality literature.

At this point neither political opponents nor the influential Norwegian Competition Authority have been able to change the general perception of the scheme to ensure that literature policy objectives are created to guarantee that a varied and good national literature is produced (and that higher bestseller prices are an acceptable price to pay).

### Process and endurance success

The various parts of Norwegian literary policy were introduced and are maintained through political processes in a way that falls between ‘complete’ and ‘resilient’ success (McConnell 2010: 352). The main elements were developed in an alliance between politicians from most parties and the organizations in the field. There were some disagreements before the purchase scheme was introduced, but all these were resolved through laws, and both Labour and centre-right governments were involved in amending the system.

There were also disagreements about the book agreement, which has demanded exemptions from competition legislation ever since 1962. Largely, the regulations have been weakened and competition considerations have gained more and more weight. At this particular point, it is most reasonable to talk about a ‘conflicted success’, that is, ‘that revisions have been needed’ (McConnell 2010: 352) over the years.

On the other hand, the centre-right majority in the Norwegian parliament (which by 2021 had ruled the country for eight years) has accepted the basic principles of the literary politics, and the opposition to the literary policy remains weak, which is well symbolized by the fact that one of the Conservative Party’s central cultural politicians was hired as a lobbyist for the Publishers’ Association in

2021.<sup>13</sup> A prominent conservative cultural politician and parliamentarian describes an ongoing discussion within the Conservative Party between advocates for stability and for change in the literary policy. In his opinion, the former still represents the majority, mainly due to a common understanding of the current literary policy regime as successful.<sup>14</sup>

The corporatist nature of the literary policy has also allowed a wide range of stakeholders to be heard. This has contributed to a gradual democratization of the literary policy by many means, also by expanding the book purchasing scheme to new types of literature.

### Political success

Politically, literary politics seems essentially to ‘enhance electoral prospects or reputations’ (McConnell 2010: 356). The best evidence of that is that the various support schemes have been largely fixed regardless of government. All players in the field defend the schemes collectively and strongly; internal criticism is hit hard upon (Bjerke 2020). The attempt to deprive the artist organizations of power over the grants in 2017 was, for example, given up due to massive opposition. This showed that it was not possible for the government to ‘control the policy agenda’ if it wanted significant changes. *Defending* and expanding the schemes, on the other hand, are more politically feasible.

Long opposed, the publishing industry has come to accept the rationale of the policy. In the Publishers’ Association’s annual statistics report for 2019, chairman Edmund Austigard puts it this way:

Norwegian literature has never had as many readers in Norway and abroad as just now. Turnover may be visible in the (Statistics), but that goal represents barely a fraction of the larger cultural value; all what literature means for free speech, diversity, our language, our reading, education and the people’s government. The fact that what we do is relevant to people means value creation, and makes Norway richer in many ways. It is this knowledge that the Norwegian literary system is founded on. And with that comes our community contract (our transl.)<sup>15</sup>

The political success of the system may in all represent a warning against too strong commercialization of the industry. At one point, a Labour Minister of Culture expressed this in clear terms: ‘If the book industry only wants to think as

<sup>13</sup> <https://forleggerforeningen.no/nyhetsarkiv/bjorgulv-vinje-borgundvaag-til-forleggerforeningen/>.

<sup>14</sup> Interview with Tage Pettersen, 21 June 2021.

<sup>15</sup> Bransjestatistikk\_2019\_internet-v2.pdf (forleggerforeningen.no)/.

grocery retailers, they are free to do so, but in Norway grocery stores pay VAT' (Trond Giske in *Nationen*, 3 June 2008).

Cultural policy has always been justified by something outside or larger than itself. When in recent years the rationale for cultural policy has been adjusted from 'defence of nation and language' to defence of 'democracy and freedom of expression', this reflects a change in the general political discourse. The defence of language and nation is perceived as problematic by large voter groups, especially among urban Liberals. Democracy and freedom of expression, on the other hand, have universal support among Norwegian voters, and the change can therefore be seen as a desire to maintain cultural policy, but give it a new justification. In other words, paraphrasing [McConnell \(2010: 356\)](#), some refinement was needed, but the broad trajectory proceeded unimpeded.

### A Literary Welfare State

Norway's literary policy is one element of the Nordic Model ([Rønning and Slaatta 2019](#)). [Syvertsen et al. \(2014: 2\)](#) have argued that a specific trait of the Nordic countries is not only their emphasis on economic and social welfare, but that they are what can be called Media Welfare States, based on 'universal services, editorial freedom, a cultural policy for the media, and a tendency to choose policy solutions that are consensual and durable, based on consultation with both public and private stakeholders'. What Syvertsen et al. have in mind is news media, whereas we have concentrated on aspects pertaining to the creation, production, distribution and consumption of the book medium, both fiction and non-fiction. It is our conviction that this represents a Norwegian literary welfare state, with similarities, but also differences from the news media field.

During the last 30 years, many sectors related to the cultural field have been liberalized and marketized in Norway as in other Nordic countries—like media, communication, telecom, etc. The corporative elements in the cultural field are still much stronger than in many of these related fields. The reason is that the cultural field has been viewed as 'different', with other and broader goals. This is also the case in the EU, which legal frameworks Norway in practice became dependent on after having entered the European Economic Area in 1994.

On the other hand, the literary field bears many similarities to the media field in interesting ways. The support for literature has always had more of a character of 'a little to many' than in other cultural fields, where the principle has been more of 'a lot to the few'. This is evident from the quite extensive redistributive nature of the system, and it has been strengthened by the many extensions. In recent decades, it has also drawn more on arguments for freedom of expression and diversity, and in that way, the literary support is more similar to the support of the media than to the support of, for example, visual art.

In sum, the case of literary policy can be seen as emblematic for the Nordic model at least in the following three ways:

First, when the main features of the Norwegian literary policy were established, Norwegian and Nordic politics were characterized by what in recent media research is called democratic–corporatist solutions (Hallin et al. 2004.). At that time social science concepts like ‘corporative pluralism’ (Rokkan 1966) and ‘negotiated economy’ (Berrefjord et al. 1989) were used. This both strengthened the likelihood of a public literary policy and had an impact on the design of literature policies. The main rationale behind democratic–corporate solutions is to develop a policy that takes care of a variety of considerations at once. It is also not only a question of combining different measures, but also about resolving conflicts by establishing a *mutual understanding* between stakeholders (Berrefjord et al. 1988: 11). In the field of literature, the design was able to bridge the interest of authors, publishing houses, booksellers, libraries and politicians.

Second, the case is related to the position of cultural policy in Norwegian politics and society. The policy is closely linked to a strong public focus on identity, language and culture. Norway was a young nation when the policy was introduced, and also relatively recently under German occupation (1940–1945). *Nation-building* has, probably more than in other Nordic countries, been a central political issue for all political factions in Norway, but is closely tied to democratization. Literature has been perceived as a central part of this. Parts of the cultural policies are also related to another distinct feature of Norwegian politics where nation-building has been translated into policies with a typical Nordic model nature, as the strong position of district policy and a goal of equal public services throughout the country. This is a political goal with strong support in Norway, last seen as a revitalization of the urban–periphery conflict dimension ahead of the election in 2021.

Third, the literature support scheme is related to the Nordic egalitarian traditions. The schemes are organized as *redistribution of revenue* (from bestseller-authors to all authors), although it should be said that the majority of Norwegian writers still have a very modest income (Heian et al. 2015). The flip side is that many authors enjoy broad recognition both within and beyond Norway.

### Concluding Remarks

In all, Norwegian literary policy has broad popular and political support. People read books, use libraries, etc. Successful adaptation to changes internally and externally has helped to preserve its political and popular standing. Democratization of literature quite simply seems to have been a successful adaptation to an expanded cultural concept from national concerns to democracy and diversity as the goal. It is also important that the scheme—as we have described—*works*. An

important success factor and a backbone in the system is a receiving apparatus in the form of libraries that the public attends, values and trusts. Another important factor is that the main stakeholders have by and large strongly supported the policy, and that the support schemes have survived all governmental coalitions since the start. Later the system has been extended as new arrangements have been added on ‘top of’ the old.

However, in later years, general developments regarding both market organization and public administration have fuelled two counternarratives, and even if the support schemes seem to be robust, two of these may cause further public discussions.

First, the market liberal position is deeply sceptical toward the system. So far this has primarily manifested itself in the form of attacks on the price agreements embedded in the system. Secondly, in later years, the public management logic has strengthened its positions at the expense of the traditional art logic. Paradoxically, the system may therefore be threatened both by the idea of the ‘invisible hand’ of the market and the state’s wish to prolong its arm.

Finally, one of the most important defences against changes in the literature policy so far has been a united front of actors in the literary field, but of late there is more internal debate about the desirability, fairness and unintended consequences of the scheme.

And then there is the disruptive impact of technology on the publishing business. All support schemes are print based, so the regulations for digital publications have copied the rules for paper. Audiobooks—and especially streaming services—have been difficult to incorporate seamlessly into existing schemes. The only exception is the VAT exemption, which in 2019 was also introduced for audio books and streaming services. But there is no purchasing scheme for the libraries and no fixed price. No purchasing scheme has been introduced for physical or downloadable audio books, and when it comes to the rapidly growing streaming market, no agreements have been reached between the authors and the publishers. Several publishers, furthermore, do not sell digital versions to libraries. Lawsuits are currently pending between authors and publishers regarding streaming services—as the field has simply not been able to gather around a solution for this new, popular format (Bjerke and Halvorsen 2020: 359ff). If the agents in the literature field are not able to stay in line, the literature policies might not survive.

Could this policy ‘travel’ to other countries? There are probably no formal limitations to implementing key parts of Norwegian literary politics in other European countries. While EU regulations do not allow anti-competitive state aid, exceptions are made for parts of the cultural sector. The EU has, for example, accepted that ‘fixed price regulations in the form of a book law, are accepted, as it is a cultural policy law, and therefore a national concern.’ VAT exemptions for literature and compensation schemes for library use and copying have also been accepted according to EU directive 92/100/EEC (Larsen et al. 2012). As explained, the



political parties and the majority of voters shared a positive attitude towards redistribution and equality. It is not necessarily the case that this would be present in all countries with other socio-political landscapes. On the other hand, over the last 40 years, market solutions have been tried in many respects, and the market has proved to be unable to solve a wide variety of multidimensional societal challenges. If the desired outcome is, as has been the case in Norway, to promote and democratize literature in a small-language nation, there is no evidence that leaving the task to the market would be the best recipe for reaching that goal.

### Questions for discussion

1. In what way can a literary policy like the Norwegian policy contribute to democracy and diversity?
2. What are the main advantages and disadvantages of state support of literary production?
3. What are the main advantages and disadvantages of supporting the producers of literature directly?
4. In what way can the Norwegian literary policy be said to be an element of the Nordic Model?
5. What developments trends can contribute to weakening or strengthening policies like the Norwegian literary policy in the future?

### Links to online resources

[https://www.norskeserier.no/\\_the-tools-of-literary-politics-helge-ronning-tore-slaatta-9788230402603/](https://www.norskeserier.no/_the-tools-of-literary-politics-helge-ronning-tore-slaatta-9788230402603/).

Home—NORLA:

<https://www.tandfonline.com/doi/full/10.1080/10286632.2018.1500560/>.

[https://www.tau.ac.il/~itamarez/works/books/Even-Zohar\\_1990—Polysystem%20studies.pdf/](https://www.tau.ac.il/~itamarez/works/books/Even-Zohar_1990—Polysystem%20studies.pdf/).

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# Negotiating Dilemmas of the Norwegian Sovereign Wealth Fund

*Camilla Bakken Øvald and Bent Sofus Tranøy*

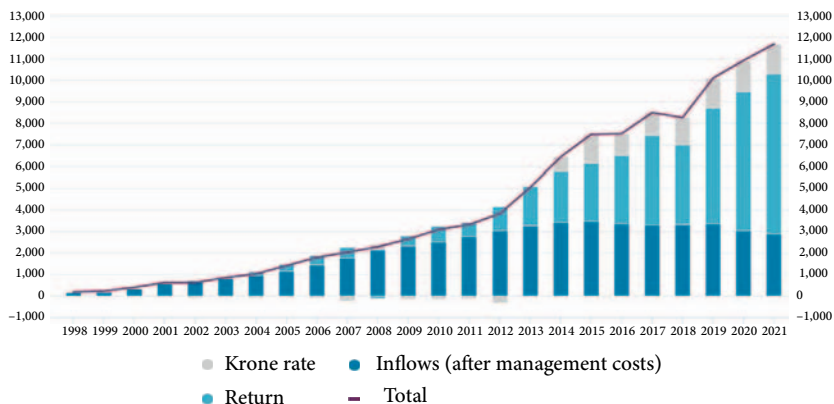
## Adapting an Economic Power House

Resource-riches are not necessarily a blessing.<sup>1</sup> States exposed to large revenue streams tied to resource extraction often experience various forms of the so-called ‘resource curse’: with less economic and social development, struggles with corruption, and destructive conflicts over the distribution of rents (Sachs and Warner 1995). A less dramatic but troublesome enough outcome are struggles with inflation, structural change towards sheltered sectors and loss of competitiveness, referred to as the ‘Dutch Disease’ in the literature (Cordon and Neary 1982). Oil- and gas-rich Norway has avoided these pitfalls and stands out from its peers in terms of her performance on indicators such as growth, employment, inflation and universal welfare provision (Holden 2013). In this chapter we argue that a key reason for this lies in its successful handling of petroleum-related revenues through an elaborate institutional structure that facilitates compromise. This allowed the authorities to prudently navigate the dilemmas of the saving versus spending trade-off and the thorny issue of ethical investment versus conventional economic ideas of how to maximize returns.

The fund was established in 1990 after the unanimous parliamentary passage of the Government Petroleum Fund Act. Today, the Norwegian Government Pension Fund Global (popularly known as the ‘oil fund’) is the largest sovereign wealth fund in the world at a total 2021 value of 1.3 trillion US\$ (see Figure 10.1). The fund is crucial for funding the comprehensive Norwegian welfare state and is large enough to secure fiscal leeway in times of crisis such as after the 2008 meltdown of global finance and Covid-19 pandemic. In 2019, transfers from the fund accounted for 18 per cent of government spending, growing to 26 per cent after the onset of Covid-19 related spending.

The first deposit into the fund was made in 1996 and when the fund started to grow, public debate around its goals and investment strategies emerged. This

<sup>1</sup> Our depiction of the history of the fund is to a large degree based on Øvald et al. 2019.



**Fig. 10.1** The market value of the Government Pension Fund Global, 1998–2021  
 Source: Norges Bank. [www.nbim.no](http://www.nbim.no). Consulted 15 August 2021.

forced policy elites to make adjustments with a view to securing and maintaining the fund's legitimacy and public support. Pressure on the fledgling fund became especially notable when opposition parties from both sides of the political spectrum began to argue for increased public spending. In addition, ethical and environmental concerns gained increasing public support.

The spending versus saving issue was settled in a policy package enacted in 2001 (Lie 2001). This package included a fiscal rule which stated that transfers from the fund to the central government budget should, over time, follow the expected real return on the fund. This enables countercyclical spending in downturns, while at the same time acting as a break on short-term public spending from the fund's resources. The package also included a central bank reform that de facto changed the macro-economic regime within which economic policy decisions are made.

The second dilemma concerned how to invest. Questions regarding ethical and environmental concerns were raised early on, including in what asset classes and according to which rules the investment strategy should be based, balancing risk, returns and ethics. The issue was eventually addressed in 2004 with the establishment of ethical guidelines.

In this chapter we home in on the decisions of 2001 and 2004 respectively. Both represented conceptual and institutional innovations that made compromise possible where there previously had been opposing factions unable to find common ground. We will argue that the spending vs saving and the investment dilemmas both found stable solutions because new conceptual and institutional spaces were opened at two critical junctures. Combined, the decisions of 2001 and 2004 have secured the fund status as a valued public institution (cf. Boin et al. 2021) and have contributed to the success of the wider economic regime of which it is a key pillar. In this chapter, we tell the story of how this became possible (see Figure 10.2).

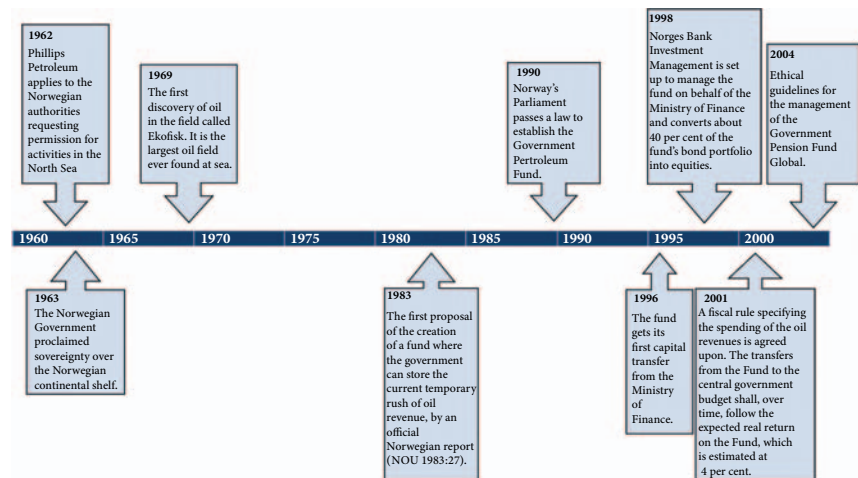


Fig. 10.2 Timeline and critical junctures in the history of the oil fund

Source: authors.

## Dodging the Resource Curse

In 1962, the US oil company Phillips Petroleum applied for permission to explore the seabed beneath the territorial waters of Norway. Norwegian authorities were caught unawares by this sudden interest in their continental shelf. Norway did, however, have a history of successfully managing natural resources at the intersection of national interests and foreign capital and know-how. The Industrial Licence Act from the early twentieth century determined that hydroelectric power ultimately belonged to the state, and the dominant ideology was that revenue from natural resources should benefit the population at large (Hanisch and Nerheim 1997; Mehlum et al. 2006).

The political ambition to establish public ownership and control of this newly discovered natural resource was made all the more challenging by the fact that Norway possessed neither the capital nor the knowledge or technology to exploit potential oil discoveries. Norwegian authorities needed to design a regime capable of providing economic incentives for international oil companies to invest in developing the requisite, highly expensive deep-sea technology while at the same time safeguarding the nation's industrial and socio-economic interests. This balancing act was addressed by means of a national petroleum policy approved in parliament in 1971, listing 10 basic principles. These included national control, the development of a national oil industry, a general rule of bringing all petroleum ashore onto Norwegian soil, and the establishment of a state oil company (Recommendation to the Storting no. 294 (1970–1971)).

The tax system for the petroleum sector is based on the notion that the petroleum sector yields extraordinary revenue (i.e. the oil rent). The system has

evolved since the 1970s, but the main idea continues to be the same: to retain incentives for the companies to invest in and produce oil, include the participation of Norwegian industry in the process, and ensure that the government receives a sizeable portion of the revenue (Lie and Venneslan 2010). At present, the oil companies have a special tax rate of 53 per cent, making the total level of taxation on profits from oil 78 per cent.

A successful use of natural resources involves multiple stages: The upstream issue of attracting investment and securing resource income and the subsequent economics and politics of managing both revenue from natural resources and the general impact on the structure of the economy (Venables 2016). In other words, the main challenges are not restricted to getting oil production under way. The question of how to integrate rent-based revenue into a pre-existing domestic politico-economic order with governance, production and distributional institutions and practices is of equal importance. The main pillars of this order in Norway were parliamentary democracy, a strong economist-dominated technocracy, a state-dominated but mostly privately-owned export sector based largely on hydro-electric power, corporatist labour-market institutions geared towards defending the competitiveness of the export sector, and a generous, universalistic welfare state. The combination of corporatist labour-market institutions and a universalistic welfare state is the core of what has been touted as the ‘Nordic model’—a mode of organizing the economy and society that has won international recognition for its ability to socialize risk and deliver economic efficiency and comparatively egalitarian outcomes in a virtuous circle, crucially enabled by high levels of both intra-personal trust and trust in governing institutions (Rothstein and Stolle 2003).

The economic challenges of large yet temporally finite revenues from petroleum resources were recognized from the very beginning. The idea of investing petroleum revenues abroad was first mentioned in a White Paper in 1974 (Report to the Storting no. 25 (1973–1974)). The ambition was to analyse the dramatic potential consequences of exploiting the significant petroleum-based fortune on the Norwegian economy and society. The original line of argument was that the people of Norway should not only spend oil wealth on material goods, but that the state should also use its newfound riches to help build ‘a qualitatively better society’. The White Paper foreshadowed themes that would later gain currency in other circles, such as environmental concerns, encouraging more time for people to take care of each other, and other topics traditionally considered ‘too soft’ for a finance ministry to espouse. The second line of argument concerned how to prudently introduce the proceeds of oil sales into the domestic economy. Put differently, it was about how to build ‘a qualitatively better society’ without incurring unacceptable costs in the form of an excessive and too rapid rate of (structural) change.

The idea of a petroleum fund was mentioned in the White Paper, but not debated in the Storting. It was picked up again in a report from a government

commission in 1983 (Norwegian Official Report 1983: 27). The report discussed the possibility of a buffer fund to avoid the negative effects of high volatility in oil prices. The report presented plans that presaged many specifics of the current fund-based regime, but at the time concluded the notion of a fund was not a realistic option. As the 1980s progressed, investments and their corollary (oil and gas extraction income) grew at such a phenomenal rate that the idea of establishing a fund gained currency, at least metaphorically. By 1989, both the Conservative Party and the Labour Party supported the idea in their respective government long-term programmes (Report to the Storting 83 (1984–1985) and Report to the Storting 4 (1988–1989)). When the Conservative Party won the 1989 election, establishing a fund became part of the new government's policy platform (Lysebuerklæringen, 4 October 1989).

### The Design and Choice of the Fund

The overall challenge and objective were easily agreed upon, namely to integrate petroleum revenues in a sustainable manner. The arguments were both structural and cyclical: to maintain a viable export sector independent of the petroleum sector and not to allow the national budgets to become too dependent on volatile oil prices. The choice of policy instruments was more complicated. When the idea of a petroleum fund gained traction in the late 1980s, the Ministry of Finance opposed it ferociously. They feared that a petroleum fund might lead to increased domestic spending outside the disciplining boundaries of the national budget (Lie and Venneslan 2010). In the late 1980s, echoing both a banking crisis and falling oil prices, the Norwegian economy experienced its worst crisis since World War II. The budget deficit was substantial and the thought of future oil revenues well exceeding what was badly needed to balance the budget seemed less relevant.

During the 1980s, a fault line appeared between advocates of an ambitious industrial policy and those who prioritized fiscal responsibility. It pitted officials from the Ministry of Finance against their counterparts at the Ministry of Industry, who wanted to utilize a prospective fund to finance major industrial projects (Lie and Venneslan 2010). There was support for the expansionist position among politicians from both the Labour Party and the Conservative Party, who voiced ideas on the manner in which the fund could aid large national infrastructure projects and the internationalization of Norwegian industry.

However, by the time the proposition to set up the fund came up, the Ministry of Finance had assumed full control of the main principles for its establishment. All government net revenues from the petroleum sector were to be transferred to the fund, and any withdrawals from the fund would be integrated in the ordinary government budget. Consequently, the ministry ensured that the money from the fund could not be used to finance agendas that were not prioritized in



the regular budget. Finally, the Government Petroleum Act made it clear that the wealth could only be invested abroad. According to the Director General of the Ministry of Finance, Svein Gjedrem, the message to the other ministries was clear: ‘This reform will be handled by the Ministry of Finance. Special interests can keep their hands off.’<sup>2</sup>

The Ministry of Finance was defined as the fund’s formal manager, but the intention was to invest any future revenue in bonds like the other currency reserves held in Norges Bank. The choice of the central bank as manager of the fund provided an intentional arm’s length distance from the owner and, combined with strict guidelines, out of the reach of powerful interest groups. It was also presumed that the central bank would possess the combination of experience, technical skills and role appreciation necessary for managing a state-owned fund, says Tore Eriksen, one of the central bureaucrats in the Ministry of Finance: ‘We believed that Norges Bank had the necessary understanding of the social responsibility a state-owned fund has to assume.’<sup>3</sup>

Throughout the early 1990s, the fund remained a purely theoretical construct that had no money in its account. The Norwegian economy experienced a deep downturn at the time, and the prospects of large petroleum revenues and a budget surplus seemed remote. However, the economy improved rapidly in the mid-nineties, and in May 1996 the Ministry of Finance was able to make its first deposit in the fund’s account in Norges Bank.

The following year predictions of future growth in revenues rose rapidly. So did actual revenues, and the size of the fund reached the NOK 100 billion threshold as early as 1997. Since revenues were higher than anticipated, the Ministry of Finance felt compelled to start thinking more seriously about long-term returns. Investing in bonds was a safe strategy with minimal risk, but expected returns were low. Introducing and settling for an equity-share was seen to represent a trade-off between risk and expected returns. The Minister of Finance at the time, future prime minister Jens Stoltenberg, readily agreed that the fund’s then strategy did not get the balance right. He was convinced that the strategy should include stock market investments, and persuaded the government, the parliamentary group and the Parliament’s Standing Committee on Finance and Economic Affairs of this.<sup>4</sup>

The new investment strategy was presented in May 1997 (Report to the Storting 2 (1995–1996)). Norges Bank was given the managerial responsibility, but the mandate came with strict guidelines from the Ministry of Finance. The strategy was to manage the fund in a risk-controlled manner, investing 40 per cent of the fund’s assets in equity, with a benchmark set by the ministry. The benchmark index is based on broad, global indices, which largely reflect the investment

<sup>2</sup> S. Gjedrem, personal communication, 27 February 2017.

<sup>3</sup> T. Eriksen, personal communication, 28 February 2017.

<sup>4</sup> J. Stoltenberg, personal communication, 6 October 2017.

opportunities of global financial markets. The fund is managed to closely track the return on the benchmark index, limiting the choices made by the managers.

## From Policy Dilemmas to Institutional Innovations

The mandate of the fund is to safeguard Norwegian financial wealth for future generations in a secure, efficient, responsible and transparent way, within the constraints laid down by the Ministry of Finance. In the early years all other concerns were met with fierce rejections. The ethical issues addressed by NGOs and some political parties were ignored. On the other hand, the growing clamour to spend more money was less easily ignored.

### Saving vs spending

On 17 March 2000, Jens Stoltenberg took office as Prime Minister. His cabinet ran into serious headwinds almost immediately on the issue of the burgeoning petroleum fund. Circumstances conspired against Stoltenberg: oil prices rose steadily through 1999 and 2000, and at the same time the volume of Norwegian oil production peaked. The fund thus grew at a breakneck pace. The visibility of a such fortune in public savings changed the terms of the political debate in Norway, fuelling the pressure to increase spending.

The state had a burgeoning kitty, yet refused to touch it. The right-wing populist Progress Party saw an opportunity in this situation. There were urgent needs, and plenty of petroleum revenue, why was the government so reluctant? Every time stories of a seriously sick child waiting for treatment, or state-of-the-art potentially life-saving medical equipment was lacking in a Norwegian hospital and made the news, the Progress Party was on the case. When demanding increased spending on any given objective, the Progress Party made a habit of starting sentences with the phrase: ‘In (one of) the richest countries in the world, it is a scandal that we cannot even afford ...’. This message was picked up by large sections of the electorate. The Progress Party soared in the polls, while the Labour Party suffered ([Tranøy 2010](#)).

The Ministry of Finance feared that without clear guidelines, spending would get out of control, thus it started working on a plan for a gradual phasing in of oil money into the national budget. If a ‘safety valve’ was not installed, the whole ‘dam’ was at risk of breach. It was the stuff of nightmares for every finance official socialized into the virtues of fiscal prudence. Something had to be done. Plans for new guidelines were prepared in great secrecy. Only a handful of bureaucrats in the economics section of the Ministry of Finance were involved, along with Stoltenberg, the Minister of Finance, and two state secretaries. Several models for

forecasting the oil revenue and calculating the rate at which it should be phased into the economy were discussed.

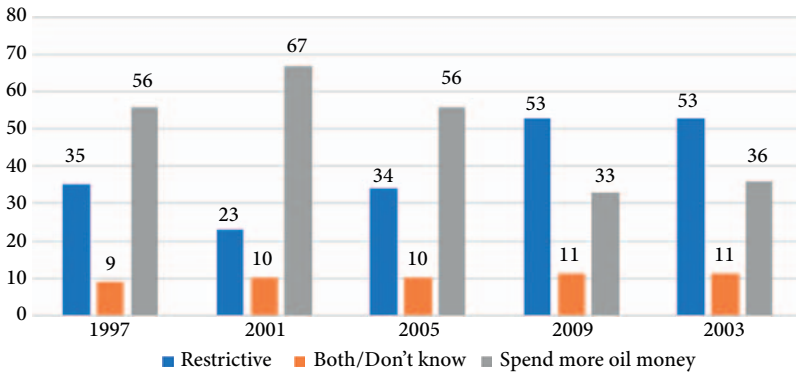
A considerable amount of time was spent on how to frame and communicate the new fiscal rule in a manner that ordinary voters could grasp. Stoltenberg was aware that he had to act as ‘the salesman’ for the new macroeconomic regime: ‘My task was when we had concluded ... to go out and get political approval in the party, the parliamentary group, the Norwegian Confederation of Trade Unions (LO) and from the public at large.’<sup>5</sup> The high level of secrecy limited the inclusion of opposition parties and interest groups in this process. However, Stoltenberg chose to consult with LO, who had raised concerns that increasing spending would hurt the industrial sector. LO has historically maintained close ties with the Labour Party and consulting with LO was the appropriate thing to do for a Labour government about to embark on a major political reform.

The plans were presented in a White Paper published on 29 March 2001 (Report to the Storting 29 (2000–2001)). The new fiscal rule’s assertion that the annual non-oil deficit should, on average over the economic cycle, be limited to 4 per cent of the fund, was approved by a large parliamentary majority. At the time, 4 per cent was presumed to be the long-term real rate of return from the fund. The target came with some discretionary room for manoeuvre, though in a symmetrical fashion so that spending could be above 4 per cent in a downturn and below at times of strong demand and a positive output-gap. The 4 per cent rule—later changed to 3 as the fund grew—should not be understood as a hard target, but rather as a focal point upon which actor expectations could converge.

At the same time, Norges Bank was released from its formal exchange rate target and introduced a symmetrical inflation target of 2.5 per cent in its place. The argument was that this would maximize currency stability, or at least maintain as orderly a relationship as possible with the Euro, Norway’s most important trading partners’ currency. The analysis was that Norway needed an inflation target slightly above that of the European Central Bank to ‘create room’ for the now planned-for phasing-in of petroleum-related revenues.

As we shall discuss later in this section, this manoeuvre came too late to help Stoltenberg in the elections in the fall of 2001, but it did strengthen the fund’s legitimacy over time. In the electoral survey of 2001, 56 per cent of respondents answered that they wanted increased petroleum revenue spending, while 35 per cent supported present spending levels. By 2009, the tables had turned: 53 per cent were satisfied with spending levels, while only 33 per cent wanted higher spending levels (see Figure 10.3). Thus, the fiscal rule was an important adjustment to secure the fund’s political legitimacy and achieve buy-in, from the Progressive Party in particular. In 2013, Siv Jensen from the Progressive Party became Minister of Finance, and during the preceding election campaign the Progressive Party

<sup>5</sup> J. Stoltenberg, personal communication, 6 October 2017.



**Fig. 10.3** Norwegian voters' attitudes towards the usage of 'oil money' (1997–2013) (in per cent)

Source: Election Survey, 2013. Data collected by Statistics Norway. First NSD edition, Bergen 2015.

had already moderated its resistance against the fiscal rule. As Minister of Finance, Jensen upheld it. Like her predecessors, she has continued to praise the fund and its achievements both in international and national media. Slowly but surely, the fund and its basic governance principles were institutionalized and the spending versus saving trade-off found a stable solution.

### Maximizing returns vs responsible investment

Yet there was another line of contention: the debate about engaging in ethical and socially responsible investing. The idea of the Norwegian state 'speculating with' state revenue in the international stock markets was an unfamiliar concept for Norwegian politicians and several NGOs raised ethical concerns. In the fall of 1997, when a new government led by the Christian Democrat Kjell Magne Bondevik replaced the Labour government of Thorbjørn Jagland, it announced that it wanted ethical and environmental considerations to be integrated into the investment strategy. Bondevik's minority government was supported by a heterogeneous group of politicians, NGOs, and journalists who repeatedly raised the issue, suggesting different solutions to how ethical and environmental concerns could be included in the strategy. The government had the political intention of changing the investment strategy, but lacked the political power to do so. Nor did it have concrete proposals about the nature of the changes that were to be made.<sup>6</sup> Meanwhile, Norges Bank cautioned that negative screening would be both challenging and costly (Norges Bank 1998). Restrictions were likely to increase administrative

<sup>6</sup> K.M. Bondevik, personal communication, 5 March 2020.

costs and, since the anticipated risk would be higher, 'the result could be a lower net return for a given level of risk', Norges Bank argued. Following this advice from Norges Bank, the government's intentions to implement ethical guidelines were shelved, allegedly for practical reasons (Report to the Storting no 2 (1997–1998)).

Meanwhile, the issue started to be reframed, gaining salience in the process. Two different developments help account for this. One was set in motion by recurrent media coverage of the fund's investment in companies engaged in politically unattractive or even illegal business, such as the production of landmines or child labour. It repeatedly provided unpleasant media exposure for any Minister of Finance. This helped the Bondevik government warm to the idea of exploring ways in which to avoid such embarrassments. A diverse group of civil society actors and a dedicated journalist working in parallel but not necessarily in tandem with a couple of parliamentarians from the Socialist Left Party, repeatedly managed to bring ethical problems to the attention of the general public. The other development concerned changes in the political arena, as a surprising political coalition between two parties from opposite sides of the political spectrum emerged.

In 1997 the Norwegian Nobel Committee awarded the Nobel Peace Prize to the International Campaign to Ban Landmines (ICBL) and its founder, Jody Williams. Norwegian authorities and NGOs had been active in the campaign, in turn raising concerns that the fund might be invested in companies manufacturing landmines. Norway had signed the international convention to ban landmines and now stood accused of hypocrisy and violating its international obligations.

The government held out against the idea of general ethical guidelines, but in 2001 it created an exclusion mechanism for the fund. The Ministry of Finance gained the power to ban certain investments from the fund if they violated Norway's obligations under international law, as defined by the petroleum fund Advisory Commission on International Law. Given that anti-personnel mines were the single focus of the proposal, Norges Bank set aside its concerns about diversification limitations (Norges Bank 2020). The exclusion mechanism had a restricted scope but strengthened the narrative of ethical challenges and the sense of having to 'do something' within the Ministry of Finance.

At the same time, significant events were taking place in the political arena. Prime Minister Jens Stoltenberg, himself an economist and a staunch defender of the 'do not politicize the fund' position, suffered a defeat of historical proportions in the elections in the fall of 2001, with a major leakage to the left. This arguably made him more open to new ideas with the potential to appeal to the left wing of his catch-all party. In the winter of 2002 several local branches of the Labour Party argued in favour of ethical considerations and came out in support of Norway's largest labour union, LO, which was emphasizing 'ethical responsibility' in the fund's investments.

Several reports financed by NGOs showed practical examples of ethics in finance (Bay 2002; Tørres 2002), and the rise in media attention was pushing

parliamentarians to comment on the matter (Ergo 2002). In May 2002, the right-wing Progress Party surprisingly aligned with the Socialist Left Party on the matter and suggested appointing an expert group with a mandate to propose ethical guidelines.<sup>7</sup> The Labour Party, now in opposition to a minority right-wing government coalition headed by the Christian Democrats, decided to support the proposition. At first the parliamentarians from the parties in government rejected the proposal, but upon realizing that they were facing a possible defeat in parliament, they changed their position a few days before the actual vote (21 June 2002).

In October 2002, a commission headed by law professor Hans Peter Graver was formed and mandated to suggest how to integrate ethical concerns into the fund's operation. A creative process of institutional innovation ensued, and two years later the commission delivered a proposal which in effect amounted to a turnkey ethical guidelines institutional structure.<sup>8</sup> The last-minute consensus achieved two years earlier had stuck and the commission's recommendations were adopted by a unanimous parliament (16 June 2004).

The Ministry of Finance issued new ethical guidelines in the fall of 2004. It established an independent Council on Ethics with a mandate to evaluate whether or not the fund's investment in specified companies was in compliance with its ethical guidelines. The Council makes thorough assessments of individual cases, inviting to its hearings representatives from companies under review and placing strict demands on evidence before allowing itself to recommend divestment. The Council on Ethics advises Norges Bank, which decides on the exclusion of companies or to place companies on an observation list.

The ethical guidelines include two negative mechanisms: one is negative screening to prevent inclusion in the investment universe of companies that themselves, or through entities under their control, manufacture weapons whose normal use violates fundamental humanitarian principles. The other is a facility for divestment from companies where owners systematically breach ethical norms: such as (a) gross or systematic violation of human rights, (b) gross violations of individual rights in war or conflict situations, (c) severe environmental degradation, and (d) gross corruption. The fund's emphasis on responsible investments coincides with a trend in international fund management: the idea that sound financial investment is an ethical obligation on a par with principles of socially responsible investment (SRI). One argument is that the present generation has an obligation to future generations to maintain and increase the wealth they will inherit, and that unethical investments are at cross purposes with this goal.

The ethical and social strategy of the fund has been reviewed several times. In 2008, the government launched an evaluation of the ethical guidelines, inviting

<sup>7</sup> Ø. Djupedal, personal communication 8 February 2018.

<sup>8</sup> H.P. Graver, personal communication, 2 January 2020.

NGOs and other stakeholders to give their recommendations. Finance Minister at the time, Kristin Halvorsen, said:

We see it as very important to maintain broad political and popular support for the management of the fund. At the same time, we want to receive input from committed communities in Norway and abroad. We hope that these contributions can provide a basis for further strengthening the fund's ethical guidelines. (Ministry of Finance 16 January 2008)

As a result, a programme of positive selection directed towards green investments began in 2010. Thus, the ethical and social strategies have been important for increasing public deliberation around the fund and gaining legitimacy among NGOs and civil society. There are several examples of NGO-lobbying campaigns that have resulted in changes in the fund's portfolio, for example the decision to divest from coal companies in 2015.

### **A Policy Success?**

In our assessment the fund can be considered a policy success on three of the four dimensions specified in the PPPE theoretical framework: it's only along the processual dimension that our assessment is less than celebratory. Assessed in terms of endurance, the popularity and loyalty which the fund enjoys today would not have emerged as smoothly as it did, were it not for the two compromises analysed in this chapter. When the hurdles represented by the spending versus saving and returns versus ethics dilemmas were overcome, the path was clear for the fund to grow into a cherished and taken-for-granted Norwegian institution. The fiscal rule has worked as a focal point, upon which actor expectations can converge, rather than a hard-edged rule. It has been critical to Norway's ability to strike an enduring balance between (popular clamour for more) spending on the one hand and the need to save and protect the non-petroleum sector on the other (Tranøy 2010).

The 2004 enactment of ethical guidelines similarly relieved the Norwegian political system of a potentially debilitating tension between returns and ethical considerations, between those who fear any interference with 'pure' financial logic on the one hand and those who see modern corporate capitalism as ridden with misdeeds and immoral acts on the other. The guidelines are not set in stone, and both they and the institutional structure they are baked into have been subject to reform. The key point in both cases, however, is that the innovative institutional solutions found in order to overcome the two dilemmas, have released the tension between bitterly opposing positions. Instead of noisy and destabilizing hostilities, the fiscal rule and the ethical guidelines have opened up conceptual and

institutional spaces where disputes between different concerns can be negotiated so that workable compromises can be found.

Secondly, in a *programmatic* sense, the fund has contributed to creating widely valued social outcomes. At the time the fund was formally established, Norway already had a generous, universalistic welfare state and a history of several decades of successful export performance. Increasing oil revenues threatened the latter, for all other sectors than oil and gas itself. Hence, the value proposition motivating the creation of the fund can be stated as an ambition to successfully safeguard and stimulate the economy and finance the welfare state simultaneously, without one getting in the way of the other. The policy was based on a theory of change which says that government spending can contribute to equitably distributed, beneficial social outcomes up to a certain point, but that total spending must be tightly controlled to avoid overheating and undesirable structural change. The theorized means–ends relationships that were assumed in the design process, and that still underpin Norwegian economic policymaking to date, have proved valid.

Thirdly, over time, the fund has come to enjoy broad political support and has been a *political* success for a considerable period, even in the face of changing circumstances. For 20 years all governments (from both sides of the left–right divide) have stuck to the fiscal rule. The two political parties that used to advocate contrarian views on spending and ethical concerns respectively, the Progressive Party and the Socialist Left Party, have both held the position of Minister of Finance during the last two decades and both have faithfully managed the established economic policy regime without any attempts at implementing significant changes, indicating that association with the fiscal rule enhances rather than diminishes the political capital of voices that were highly critical when in opposition. The major corporatist players have never voiced substantial opposition to the regime, and popular support is reflected both in opinion data on attitudes to spending of ‘oil money’, with a majority agreeing that the government should not spend more petroleum revenues than it currently does (see Figure 10.3), and the withering away of opposition to the fund’s investment strategy.

An assessment of the policy *processes* involved is more equivocal. The creation of both the fund itself and the fiscal rule were typical elite projects, and a somewhat surprising finding is the small number of players present at the table at the main decision points regarding the spending versus saving trade-off. The decision-making process was less consensual and inclusive than was to be expected in a democracy with a strong corporatist tradition. The reform does not sit well with the image of a corporatist democracy where organizations ‘take part in political processes and ensure important considerations are taken’ (Nordby 1999: 12). The closed nature of these processes secured programmatic success, but the exclusion of key stakeholders did, however, create challenges for the political legitimacy of the fund.



The lack of inclusion facilitated both a populist and an ethical backlash against the fund. However, the elite-driven decision making in the first phase of the reform was moderated by the more inclusive strategies followed at later stages. The construction of the fiscal rule ‘pulled in’ critical stakeholders and over time strengthened and grew the consensus behind the principles of the fund. It is also worth emphasizing that the second dilemma was resolved through a more inclusive process. The traditional institution of ‘Official Norwegian Reports’ or ‘Green Papers’ was mobilized. The commission headed by Hans Petter Graver recruited outside the closed circle of Ministry of Finance and Central Bank officials who had been running things up to this point. It also consulted broadly and subsequent suggestions for an ethics code and institutional set-up were passed into law more or less unchanged by a unanimous parliament.

### Lessons

What lessons, if any, can be learned from the story of the Norwegian Governmental Pension Fund so far? One obvious takeaway is that institutions that enable running compromises (and in the case of the fiscal rule this happens yearly) facilitates endurance through reducing levels of political conflict. If we move to a lower level of abstraction, it is clear that the decision to draw up the guidelines for the oil fund as early as in 1990 stands out as particularly fortunate. A political debate on how to deploy the oil money was always going to be easier with an empty bank account than with a burgeoning fund. Thus, the Petroleum Act of 1990 created a strong path-dependency that guided policymakers through the later stages. New policy instruments were developed and adjustments were made as new considerations were built into the institutional structure. But the overarching policy goals of growing the economy and the welfare state harmoniously through carefully controlled spending growth have remained the same.

While Norway had the institutional capability for reform, effective political leadership was required to capitalize on the opportunity and forge a new institutional structure that constrained the choices of future governments. In 1990, Skauge’s decision to go ahead with the Government petroleum fund Act against the advice of the Ministry of Finance’s mandarins was an important act of political leadership. In 2001, the creation of the fiscal rule was the result of a strong alliance between Stoltenberg and the administrative elites in the Ministry of Finance. In Stoltenberg, the top bureaucrats in the Ministry of Finance had a partner who both understood them and shared their goals. Furthermore, Stoltenberg moved on to become the pre-eminent salesman for the new macroeconomic regime for the remainder of his political career, and later considered the crafting of the fiscal rule to be his finest moment in politics (Stoltenberg 2016).

One mechanism that we see as having contributed greatly to the success of the fund, is related to discounting rates. Behavioural economics have shown that humans tend to discount the future at a much higher rate than is normally assumed by neoclassical economics. This has been taken advantage of by the renowned behavioural economist Richard Thaler with his concept for private pension plans, called ‘save more tomorrow’ (Thaler and Benartzi 2004). The point is that it is much easier to get employees to agree to set aside more of future income increases than it is to make them take monies out of their current income. Arne Skauge’s move when Norway was ‘broke’ in 1990 fits this logic perfectly. His own words on this bear repeating: ‘... the main principles of a petroleum fund had to be established before the money started pouring in. Once the money was there, politicians and interest groups from across the entire range would scramble to get money for their pet projects.’<sup>9</sup>

Norway had unique institutional capabilities and traditions compared to many other countries in similar resource-rich circumstances. According to Rothstein and Uslaner (2005), a long legacy of egalitarian distribution can at the same time facilitate, and be reinforced, by universalistic welfare institutions, which in turn help build and solidify interpersonal trust as well as trust in institutions. In contrast to this, most other countries with large oil revenues have political systems and political traditions that are far from the Norwegian experience. In the words of Rothstein and Uslaner (2005: 71):

Poor and inegalitarian countries thus find themselves trapped in a situation of continuing inequality, mistrust, and dysfunctional institutions. High levels of inequality contribute to lower levels of trust, which lessen political and societal support for the state to collect resources for launching and implementing universal welfare programs in an uncorrupted and non-discriminatory way.

In sum, the Norwegian macroeconomic regime, balancing current spending with long-term interests, compares favourably with most other cases of large resource-driven income streams. On the one hand, the Norwegian experience is a result of unique factors. On the other hand, there are potential lessons to be learned. We argue that these successes depend on elaborate institutional structures that facilitate compromise over tough dilemmas. This holds for both the saving versus spending trade-off and the thorny issue of ethical investment versus conventional economic ideas of how to maximize returns.

The spending dilemma was solved by resorting to a crafty combination of Chicago school economics and Keynesianism, in what we may term rule-based Keynesianism. While Chicago school thinking supplied the emphasis on rules and predictability, Keynesianism was the inspiration behind the notion of

<sup>9</sup> A. Skauge, personal communication, 16 February 2017.

counter-cyclical spending across the business cycle. Similarly, the discourse on ethical and environmental concerns pitted two opposing positions against each other. The political majority and the economic experts argued that not only would ethical concerns reduce returns, but that this issue was threatening the whole idea of a non-political fund. When the issue became politically impossible to ignore, the concept of ethical concerns was redefined. The expert group suggesting new guidelines broadened the conceptualization of ethical considerations so that it came to include both an obligation to ensure savings for future generations and to respect the fundamental rights of third parties when making investment decisions.

These conceptual and institutional innovations mirror long-standing traditions in Norwegian economic policymaking. As Peter Katzenstein (1985) argued in his analysis of economic policy in small, open (rich and European) economies: For decades they relied on strategies of 'flexible adjustment'. A system that combined external openness with incomes policies in order to support wage discipline while keeping inequality growth at bay through said incomes policies combined with relatively generous welfare states and active labour market policies in order to compensate those working in declining sectors. The institutional structure surrounding this regime was corporatist, originally developed in the interwar-period. That is institutionalized arenas where the social partners met at elite level in relative isolation from their members, supported state-run expert bodies, like the *Technical Calculation Committee for Wage Settlements* or *The National Mediator*. These, in turn, enjoyed the trust of both the social partners and any given administration. In short, a system of institutionalized, knowledge based, but not always transparent compromise-making.

Several elements of this institutional legacy are of direct relevance to how the spending and investing dilemmas were handled. At a macro level the fiscal rule mirrors the tradition of combining discipline with welfare spending. It's a new institutional means to an old end, seeking to strengthen the strategy of flexible adjustment by securing that fiscal policy, like incomes policy, balances ambitious welfare state spending with a concern for competitiveness. The most obvious parallels when it comes to the ethics versus conventional investment logic is the resort to trusted technocrats or experts. Experts designed and manned the ethics council, while technocrats made up a skilled secretariat. The recipe for success in handling these complex matters was (re)conceptualize, institutionalize and insulate.

The story of the fund's two major adaptations highlights the importance of agenda-setting and framing for successful reform. A reform is far more likely to be sustainable if the policy is understandable and logical to the public, even when the motives behind the reform are highly complex and theoretical. The fiscal rule corresponded well with established frameworks for how Norway should exploit its national resources. When Stoltenberg launched the fiscal rule, he used the metaphor of sustainable forest management to explain the principle of the fiscal rule to the general public.

## Conclusions

The endurance of the policy is worth returning to as economic policy normally changes over time and is subject to shifting global conditions, attitudes and understandings of how the economy works or should work. Considering this, establishing a two-pronged institutional framework that endures over decades, delivering results in harmony with the public value proposition that motivated the policy in the first place, is a solid claim to success. However, the vision of the Norwegian petroleum fund for its investment portfolio is eternity, and 30 years is too soon to draw any definitive conclusions. The fund is invested in more than 9,000 companies and as a universal owner of 1.5 per cent of the global stock market, the fund is exposed to unexpected changes and potential crises in the world economy. The Norwegian economy is dependent on two markets: the financial market and the energy market—neither of them known to be particularly stable. Volatile oil prices might reduce the profitability of investments in the North Sea, but more important is the growing political consensus to transition to cleaner energy systems.

The International Energy Agency (IEA) recently published a report defining key milestones in the pathway to net zero. One of their conclusions was that no new oil and gas fields should be approved after 2021 (IEA 2021). Historically, Norwegian political and administrative elites have supported analyses from the IEA, but the new report challenges the official narrative of Norwegian oil and gas production as being in line with international agreements on sustainable development (i.e. The Paris Agreement). There is still a political majority behind expanding production, but a growing share of younger voters are moving towards parties that do not support the opening of new fields, while there is an emerging discourse on if and when the ‘oil-age’ must come to an end.

Thus, the success we have described in this chapter may to an increasing degree find itself resting on a paradox. The mandate of the fund is to safeguard wealth for future generations. For 30 years it has been taken for granted that the interest of future generations equals wealth which in turn equals financial savings abroad. The first part of that equation has at earlier junctures been challenged, albeit unsuccessfully, by actors who argue that real resources—that is, the product of real investment—is also a heritage worth leaving behind for future generations. This is a discussion which *de facto* boils down to a debate on the efficacy of industrial policy and an active state, a debate which has been more or less closed for the same 30-year period. Public spending on other purposes than welfare has been associated with risk of misallocation of resources, inflation and loss of competitiveness.

Now, however, there are signs that the ground under this debate is shifting. Firstly, the climate agenda and the emerging consensus on the need for a green transition again pushes the state towards a more active role. The idea that the

market, given correct incentives, can handle the whole problem, fast enough has also lost ground. The financial—and euro—crises, the accompanying notions of secular stagnation and slower productivity growth, and finally the weaknesses in global supply chains exposed by the Covid crisis are events and trends that tend to weaken the trust in unfettered markets. Thus we see that the window for discussing the role of industrial policy in moving towards a green transition may be reopening (Hjertaker and Tranøy 2021). And crucially for Norway, that this may challenge the terms upon which the two great dilemmas described in this chapter have been resolved until now.

### Questions for discussion

1. What kinds of problems do resource-rich countries often run into, and why in your opinion is this so?
2. This chapter tells a success story about managing great wealth. What advantages did Norway have compared to most other resource-rich counties and states?
3. All political systems harbour conflicts and opposing interests and viewpoints. Why is the conceptual and institutional space within which such conflicts play out often very important?
4. In what ways can the emerging green agenda (potentially) undermine the stability of the Norwegian institutions that have been set up to handle the dilemmas the fund has given rise to?

### Links to online resources

The Fund:

<https://www.nbim.no/>.

Ministry of Finance:

<https://www.regjeringen.no/en/topics/the-economy/the-government-pension-fund/id1441/>.

The Ethics Council:

<https://etikkradet.no/en/>.

Sovereign Wealth Fund Institute:

<https://www.swfinstitute.org/news/>.

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PART III  
POLICY SUCCESSES IN SWEDEN



## An All Too Successful Reform?

### The 1997 Overhaul of the Swedish Budget Process

*Andreas Bergh*

#### A ‘Rock Star of Recovery’

In October 1993, *The Economist* published an article on Sweden headlined ‘Worse and Worse’. The article told the story of a country that had lost control of its economy, with budget deficits and unemployment multiplying in just two years. Without drastic measures, interest payments on public debt threatened to crowd out social expenditure. But things developed differently. Fifteen years later, when the world was hit by the financial crisis of 2008, Sweden had lower public debt and endured the crisis better compared with most other OECD countries. The success created international headlines, and Sweden was portrayed as a ‘rock star of recovery’ in the *Washington Post* (24 June 2011). *The Economist* described Sweden as a ‘North star’, noting that ‘unlike much of the rest of Europe, Sweden is roaring ahead’ (*The Economist* 2011). Two years later, it described Sweden as ‘the next supermodel’ (*The Economist* 2013). What had happened? How did Sweden manage to steer away from economic disaster?

To explain why coming to terms with the deficit problem is difficult, the article in *The Economist* from 1993 cited Swedish author and political scientist Elisabeth Langby, who already in 1984 had predicted that Sweden would run into problems: ‘Since more than two-thirds of Sweden’s voters get their income from the government (through either state jobs or various forms of welfare payment), the electoral arithmetic of removing the deficit is frightening, Ms Langby writes’ (*The Economist* 1993: 58–59).

The ‘electoral arithmetic’ referred to is a well-known problem in public finance, emphasized especially by the public choice school. As a baseline, actors should not be expected to act against their own interests. When many are provided for by the public sector, policies that aim to curb the growth of public spending are thus unlikely to receive broad support among voters.

When *The Economist* published the article, Swedish policymakers were already at work, not only on how to handle the acute problem of the budget deficit, but also on how to avoid a similar situation arising again. One year earlier, a deputy secretary (*departementsråd*) by the name of Per Molander working at the Ministry

of Finance, had discovered a report by Jurgen van Hagen that compared the strictness of the budgeting procedures for public expenditure in different countries. When compared to the EU-countries, Sweden was ranked second last—barely ahead of the least strict country (Italy), but below Greece. What it meant was that given current policy settings and rules of engagement in the budgetary process, public expenditure could grow rapidly regardless of the intent and control of the government.

The comparison made a lot of sense in Sweden in 1992, to say the least. Starting with the oil-price shocks and deindustrialization in the 1970s, Sweden had experienced problems with budget deficits and increasing public debt. In the 1980s, credit market deregulation and a big devaluation of the Swedish currency in 1982 sparked a partly loan-financed consumption boom. In combination with the international economic upturn of the 1980s, many economic indicators in Sweden looked good on paper: Unemployment was very low and public expenditure relative to GDP had fallen by some percentage points. But the economy was overheated, and during the crisis of the early 1990s, short-run fluctuations worked together with long-term structural problems and a banking crisis to create a spectacular crash. Unemployment increased from 2 to over 8 per cent, public spending peaked in 1993 at the alarmingly high level of 72 per cent of GDP, while the budget deficit ran at a whopping 13 per cent (see e.g. Lindbeck 1997; Bergh 2014).

The crisis—and van Hagen’s country comparison—became the starting point of a remarkable policy success that (with some caveats) hits all the boxes of the PPPE assessment model used in this volume (see also Compton and ‘t Hart 2019). *Programmatically*, given the state of public finances in Sweden when the reform was initiated, the reform made economic sense and was followed by rapid improvements on key indicators of public finance and economic robustness. It was also *politically* successful in that both the right-wing parties and the Social Democrats agreed on the reform (other key players such as the trade union confederation and the employers’ association also did not protest). The caveats, discussed further in the section entitled ‘A Contested Success: Counternarratives’, concern the *process* and the *endurance* dimensions. The reform process had made heavy use of the Swedish system of commissions. On the one hand, the process helped to achieve technical problem-solving capacity and worked as intended. On the other hand, the process made a few knowledgeable experts highly influential, with less involvement from the wider public. Perhaps most importantly, the reform’s success *endured* for a long time, and as we shall see, a case can be made that the reform was too successful in decreasing public debt.

### The Path to Reform

How was this successful change achieved? Was it perhaps *too* successful in the sense that it replaced a situation where parties competed for votes by increasing

spending with a ‘responsibility contest’ where parties compete over bringing down public debt?

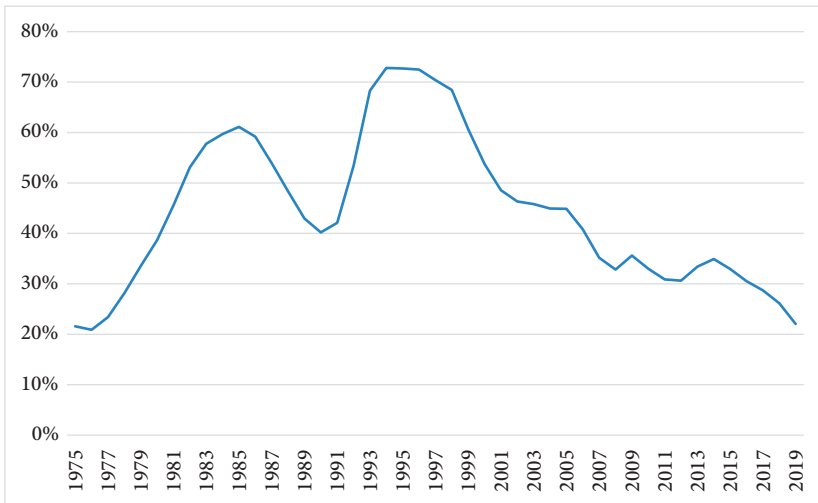
At the Ministry of Finance, Molander oversaw a committee called the Expert Group on Public Economics, where he published a report based on van Hagen’s comparison, titled ‘Sovereign debt and the budget process’ (*Statsskulden och budgetprocessen*, Molander 1992). That report immediately fed into the work of two public commissions that were considering these matters at the time. One was a blue-ribbon panel named after its chairman, distinguished economist Assar Lindbeck; the other was a parliamentary commission led by the Conservative MP Ingegerd Troedsson.

In the early 1990s, the problems associated with loose budgeting procedures were clear to most people with knowledge of economics and politics in Sweden. The centre-right government that ruled Sweden from 1991 to 1994 was struggling with a rapidly deteriorating economy, plagued by deficits, and rising public debt. They inherited these problems from the preceding Social Democrats during whose 1982–1991 incumbency, fundamental problems in the Swedish economy had become increasingly obvious. Kjell-Olof Feldt, the long-serving Minister of Finance had suddenly resigned in 1990, and five months before the 1991 election, he released a book describing how the government had failed to keep fiscal policy sufficiently tight during the boom of the 1980s.

Feldt’s book fed into an already active debate among economists and commentators about budget deficits, government indebtedness, and structural problems of the tax system. At the time, Swedish taxes were among the highest in the world (measured as total tax revenue over GDP), and a consensus emerged that budget deficits could not merely be fought by tax increases. In other words, Social Democrats, the right-wing parties, and most expert commentators and economists were in wide agreement that public spending had to be curbed. But how?

Molander’s 1992 report started a reform process that led Sweden to a radical change in the budget process. Starting with the fiscal year 1997, government expenditures were divided into 27 expenditure areas, each comprising about 20 appropriations. Importantly, voting over the budget now started with a vote on a nominally defined expenditure ceiling and the frames for each of the 27 expenditure areas. Only after this decision had been made, were the settings within all of the expenditure areas decided (so-called top-down budgeting). The new system also entailed the rule that proposals for spending increases in an area must be balanced by expenditure cuts within the same area. By means of this procedural change an end was put to the dynamic of parliament (or parliamentary committees) making decisions that increased public spending without also deciding how to finance those spending increases. Simply put, the reform aimed to prevent the democratic process from selecting policies that require sustained budget deficits.

After the new budget process was implemented, Sweden’s public finances rapidly became stronger, and central government debt as a share of GDP has fallen back to where it was in 1975 (see Figure 11.1).



**Fig. 11.1** Swedish central government debt as a share of GDP 1975–2019

*Source:* Swedish National Debt Office (Nominal debt), Statistics Sweden (GDP, expenditure approach, aggregated, current prices).

The stress-test of the reform came in the wake of the 2008 financial crisis, that started in the US financial sector and spread across the world. The differences between the headlines about Sweden from the crisis of the early 1990s and the financial crisis 2008–2010 illustrate not only how the state of the Swedish economy had improved, but also how Sweden’s international reputation changed when it clearly fared better than most comparable countries. In other words, it is entirely possible to describe the 1997 overhaul of the Swedish budget process as a fairly clear-cut policy success, that aided governments in closing the budget deficits using a combination of tax increases and welfare state cutbacks. As noted, there are however caveats and counternarratives worth taking seriously.

### **A Contested Success: Counternarratives**

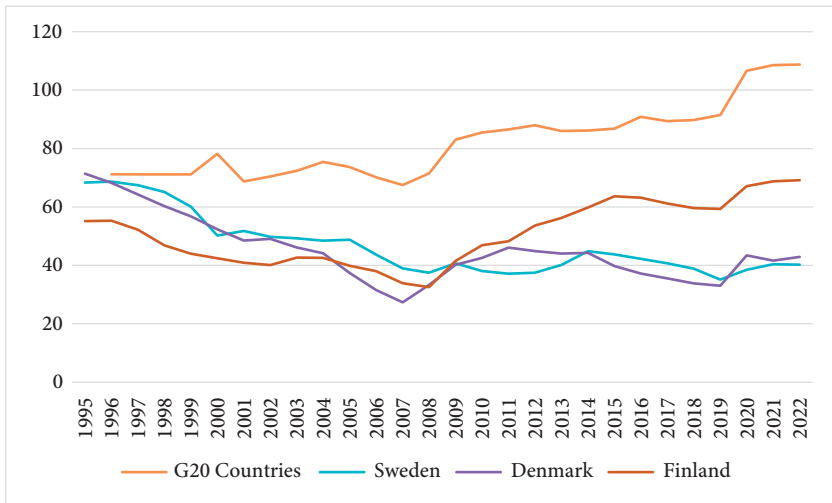
When the reform was discussed and implemented, the most vocal opposition came from the Left Party, who favoured increasing public expenditure in many areas and found further tax increases to be an acceptable means of financing them. As time passed, however, more mainstream voices were raising concerns that fiscal policy in Sweden was becoming too strict, and that an excessive focus on short-term budget balance had resulted in Sweden eschewing public investments that made sense in the longer run. For example, the already mentioned economist Assar Lindbeck, who was very much associated with austerity measures and the need to curb public spending in the 1990s, wrote in Sweden’s largest daily newspaper *Dagens Nyheter*

in 2008, calling for increased public investment, public spending on health care and spending to boost the consumption of low-income earners (Lindbeck 2008). Similar points were increasingly often made also by trade unions and even some right-wing politicians (Schröder 2013).

Strictly speaking, however, criticism of the idea that public finances over a business cycle should operate with a surplus, is different from criticism of top-down budgeting per se. The surplus goal in Sweden was phased in gradually after the budget reform during the period 1997 to 2000 and stated that public revenue should exceed public spending by 2 per cent of GDP as measured over a business cycle. As debt has fallen, the targeted surplus has been lowered, but the goal remains (since 2019, the targeted surplus is 0.33% of GDP). The purpose of the surplus goal was to bring down public debt as a share of GDP. In contrast, the concept of top-down budgeting can be understood as a planning tool, compatible with any budget balance, be it zero, surplus or deficit. Formally, nothing in the budget reform prevented the parliament from setting expenditure ceilings that corresponded to a balanced or even an underbalanced budget. Similarly, though most economists in Sweden at the time advised against it, it was theoretically possible to balance the budget using only tax increases and thus avoid expenditure cuts.

In practice and in the public debate, however, the idea of top-down budgeting became intertwined with the idea that the budget should run at a surplus to compensate for historical deficits and high levels of public debt. The connection was not far-fetched, because the budget deficit and concern over public debt helped to motivate the reform. Consequently, the reform promoted norms of fiscal prudence or possibly even excessive conservatism if it meant that potentially gainful public projects were not undertaken. After the crisis of the early 1990s, one of the most important yardsticks for successful fiscal policies in Sweden has been their effect on deficits and public debt. Similar to what Gill (2019) observed for New Zealand, politics became a 'responsibility contest' where the winner was the government that lowered public debt the most. As an illustration of the political logic in Sweden around the millennium shift, note that Sweden prided itself on being the only country (aside from the UK) that met the conditions for membership in the European Monetary Union (EMU). The conditions regarding low deficit and low public debt were described by the Swedish government as a sign of a sound economy, and not as something necessary to be able to join the EMU. After a referendum in 2003, Sweden decided not to join.

As the debt to GDP ratio fell, the 'responsibility contest' was increasingly criticized. As a result, the position of mainstream economists moved marginally in the direction of some heterodox economic schools of thought, including the so-called modern monetary theory, made popular by Kelton (2020). The counternarrative provided by modern monetary theory is more radical, however, as it claims that governments' ability to create money means that there is no need to issue sovereign



**Fig. 11.2** Total public debt according to the Maastricht criteria 1995–2022 in selected countries

*Source:* IMF Fiscal Monitor (gross debt, % of GDP, data for 2021 and 2022 are preliminary).

debt to finance public spending (though the government may choose to do so for other reasons).

There may also have been some less discussed unintended consequences of the reform. [Andersson and Jonung \(2019\)](#) argue that as the central government upped its fiscal responsibility, interest rates fell, and this encouraged subnational governments (particularly municipalities) to take on more debt. While interest rates have been falling globally, this is a likely explanation why Swedish overall debt covering the entire public sector (as defined in The Stability and Growth Pact of the European Union) illustrated in Figure 11.2 has fallen less than central government debt (shown in Figure 11.1).

### Digging Deeper: Dynamics of Swedish Public Finance

As noted by Bergh (2013), Sweden has been described both as a role model for other countries and as a frightening example of the damage ‘big government’ can do to a thriving economy. For most of the twentieth century, the size of Sweden’s public sector (and the corresponding level of taxation) was similar to that in the US. In the 1960s and the 1970s, however, Sweden diverged by expanding its welfare state, among other things through publicly financed childcare, partly with the purpose of increasing female labour force participation. Increasing public expenditure also included social insurance and transfers to households.



During the oil-price shocks in the early 1970s, Swedish industry ran into problems. Having the benefit of hindsight, we now see the period as the beginning of de-industrialization in Sweden. The government reacted, however, by attempting to ‘bridge’ the international recession by fiscal expansion, including large subsidies to inventory investment, employment guarantees and devaluations of the Swedish currency. Those policy measures might have worked if the problems were of a temporary, cyclical nature—but that was not the case (see further [Lindbeck 1997](#) and [Bergh 2014](#)).

Meanwhile, social policy became more ambitious, and the highly progressive tax-system was increasingly plagued by tax-evasion. As a result of these twin pressures—rising expenditures and falling tax income—Sweden started running big deficits. By the end of the 1970s and during the first half of the 1980s, public debt increased at an unprecedented rate from roughly 20 to 60 per cent of GDP (see [Figure 11.1](#)).

Towards the end of the 1980s, there was some reprieve after an offensive devaluation of the Swedish krona in 1982, which in combination with the international economic boom of the era and the deregulation of the credit markets resulted in an overheated economy where households engaged in loan-financed consumption (see [Jonung 1991](#)). When the boom turned to bust in the early 1990s, public debt was still more than twice the level in 1970, and public spending and taxes were very high by international standards, even before unemployment had risen ([Lindbeck 1997](#)).

From 1990 to 1993 the Swedish economy experienced a rapid deterioration, with unemployment increasing from 2 to more than 8 per cent. Tax revenue fell by 3 per cent of GDP while expenditures increased by about 8 per cent. Tax revenue fell because firms went out of business and people lost their jobs, but also because a tax-reform implemented in 1990 and 1991 entailed lower incomes taxes that were supposed to be financed by consumption taxes—but as consumption fell, so did tax revenue. Expenditure increased because of unemployment benefits and because of bank bailouts following the credit boom in the 1980s (see e.g. [Tranoy 2001](#) and [Bergh 2014](#)).

The resulting budget deficit at over 10 per cent of GDP pushed overall public debt up to the point where interest payment on public debt became one of the largest spending areas, crowding out the space for other public expenditure ([Eklund 1993](#); [Feldt 1994](#)). In the autumn of 1992, investors sold the Swedish currency, the krona, to avoid losses if Sweden once again chose to alleviate economic problems by devaluation as had been done five times between 1976 and 1982. In 1992, the government and the opposition agreed that another devaluation should be avoided, partly to signal that the Swedish economy was in sufficiently good shape to ensure that Sweden had the option to join the European Monetary Union (EMU) that would later become the eurozone.

It should be noted that Sweden was not an EC-member at the time (the country would join in 1995), and the fixed exchange rate was not perceived to be credible by

international investors. On 16 September 1992, the Riksbank made a final attempt to stop the outflow of Swedish currency and raised the marginal interest rate to 500 per cent. The government and the Social Democratic opposition together agreed on two joint crisis packages with cutbacks and other measures to decrease the Swedish budget deficit. The situation stabilized briefly, but in November, the outflow of currency increased again, signalling that the confidence in the value of the krona had largely been exhausted (see [Stern and Sundelius 1997](#)).

On 19 November 1992 Sweden moved to a floating exchange rate and the krona immediately fell around 20 to 30 per cent against other currencies such as the D-mark, the pound and the dollar. Prime Minister Carl Bildt (Cons.) described the move to a floating exchange rate as a failure. Shortly after that failure, a commission was initiated and given instructions to deliver proposals for economic policy measures in the medium–long term: The Lindbeck commission ([Lindbeck 1993](#)). See the section entitled ‘Forward-Looking Parties and Knowledge Brokers’.

The period in Sweden from 1970 to 1995 has been described by [Lindbeck \(1997\)](#) as ‘the Swedish experiment’. The reform of the budget process started when that problematic period reached its peak (see also [Tranøy 2001](#)). Since the crisis in the early 1990s, that is, from 1995 and onwards, the state of the Swedish economy has improved. Table 11.1 shows average annual growth rate of real GDP per capita

**Table 11.1** Average annual growth of real GDP/capita in selected OECD countries 1995–2019

<u>Lowest growth</u>	
Italy	0,3 %
Greece	0,8 %
Japan	0,9 %
South Africa	1,1 %
France	1,2 %
<u>Highest growth</u>	
Lithuania	10,3 %
Latvia	9,4 %
Estonia	8,0 %
Ireland	7,0 %
Poland	6,7 %
Euro-countries	1,4 %
EU27	1,8 %
USA	1,9 %
Sweden	2,2 %
Norway	1,3 %
Finland	2,3 %
Denmark	1,4 %

Source: (OECD, GDP per capita, constant prices).

over the 1995–2019 period. While Sweden has not grown as fast as Estonia, Latvia and Lithuania, it has grown faster than the euro-countries, the EU27 and the US. Obviously, the development cannot only be attributed to the new budget process, but it lends support to the interpretation that the far-reaching reforms (where the budget reform was an important part) implemented in the 1980s and the early 1990s helped end the period of Swedish lagging behind (see further, [Bergh 2014](#)).

Understanding these dynamics of Swedish public finance is important for grasping how the stage was set when the budget reform was designed and approved. The failure to defend the fixed exchange rate in 1992 was broadly seen as a strong indication that Sweden would benefit from increased fiscal discipline. Therefore, the ideas in Molander's report, the Lindbeck commission and the parliamentary commission led by Troedsson could not be easily dismissed. But the step from commission proposals to political agreements and successful reform implementation is not a trivial one—as explained in the following.

### **The Politics of the Budgetary Process**

At this point, the reader may think: So, Sweden had problems with controlling public expenditure, learned that other countries typically had a much stricter budget process and changed its procedures—what's the big deal? But changing the rules of the game the way Sweden did is typically considered to be a big deal. In many situations, governments have the option to tackle (or at least appear to be tackling) acute problems through increased spending. For example, if firms are threatened by bankruptcy, government can spend more on subsidies and transfers. If that spending is debt-financed, it is paid not by current but by future taxpayers—but it has immediate and visible benefits for those concerned.

When debt is used to finance consumption spending, it is essentially financed by future taxpayers. This is so because future taxes must be higher to cover interest payments on public debt. Another potential problem is that investors may fear that debt will eventually be paid by creating new money, in which case currency will depreciate (i.e. lose value), in which case everybody who is paid in the currency is made worse off. Importantly, however, debt-financing means that the costs associated with a public programme are spread across many and postponed in time, while the benefits are immediate and concentrated to wherever current politicians direct it.

As a result, curbing public spending is a collective action problem both among and within governments (see e.g. [Wildavsky and Caiden 2004](#)). Every government could minimize debt-financed spending—but if it perceives that it will suffer politically from doing so, and expects subsequent governments to keep spending, it has weak incentives to do so. A similar situation occurs within a government. Each department could put a lot of effort into staying on budget even if it means

abstaining from popular reforms or even involves unpopular cutbacks—but if it expects other departments to overspend, why should it?

Departments in general are not keen on cutbacks of their own operations. Swedish political scientist Daniel Tarschys (1985) described how departments will be eloquent in explaining why the cuts must be made somewhere else, and how administrative units will protect their turf by pushing activities or payments to a subsequent fiscal year or by spending in advance (known as ‘December fever’ or the end of the year spending spree). The successful curbing of public expenditure presupposes a shift in the balance of power between guardians and spenders, according to Tarschys, who also served as an MP for the Liberal Party in Sweden from 1976 to 1982 and 1985 to 1994.

From the game-theoretic analysis of collective-action problems (e.g. Ostrom 1998) we know that there are circumstances that facilitate solutions. First, actors must care sufficiently much about the long-run consequences of their actions. If no one cares about the long-run problems caused by excessive debt-financing, solutions will be hard to find. Second, actors must find ways to assure one another that they will avoid the temptation to reap short-run political gains by increasing public spending. In other words, and as described by Pierson (1996), the politics of retrenchment (lowering public spending) is very different from the politics of expansion. While the latter will induce parties to compete in claiming credit for new social benefits, the former is about blame avoidance.

A related problem, also discussed by Langby (1984) and by public choice scholars in general, is the influence of interest groups. Simply put, it is tempting for politicians to gain popularity among well-defined groups by giving them benefits that are financed by taxation or debt. Because the interest group is a small subset of the population, the benefits are concentrated to a few while the costs are spread across all current (and in the case of debt financing also future) taxpayers. While each project only marginally increases total public expenditure, the long-run effect will be problematic if many well-organized interest groups lobby successfully for their pet-projects. Moreover, expenditure will be directed towards projects where benefits are immediate and concentrated among few, as opposed to projects where benefits are less immediate and more broadly distributed.

To sum up, there were theoretical reasons to be pessimistic about the future of the Swedish welfare state because it seemed unlikely that Swedish politicians would successfully curb public spending and bring down the budget deficit. To explain why the reform of the budget process nevertheless was possible, we need to look more closely at the agents and levers involved.

### **Forward-Looking Parties and Knowledge Brokers**

During the post-war era leading up to the reform, the Swedish party system was dominated by two political blocs. The left bloc consisted of the Social Democratic

Party and a small Communist Party (that in 1990 changed its name to the Left Party). The right-wing opposition consisted of three parties (with representation in parliament): The Centre Party (rooted in the farming sector), a Liberal Party and a Conservative Party. Passively supported by the Communists, Social Democrats ruled Sweden during the post-war period until 1976, when the three right-wing parties governed in various constellations until 1982, when Social Democrats returned to power. In 1991, a fourth right-wing party entered parliament and paved the way for a right-wing government that was in power until the 1994 election when Social Democrats returned.

The post-1932 long dominance of Social Democrats in Swedish politics since 1932 is unique among parliamentary democracies (Therborn 1994), and it is important for understanding several far-reaching reforms, including the reform of the budget process. Social Democrats in Sweden had self-centred motives to care about the Swedish economy also in the long run: if policy mistakes today lead to problems in the future, it is still Social Democratic governments that will be held accountable for those problems. Therefore, when the Swedish economy ran into problems in the 1970s, that was a problem for the Social Democrats even after they lost the 1976 election (and the same logic applies when they lost in 1991).

The economic problems of the 1970s also coincided with new trends in economics (including, but not limited to the already mentioned public choice school) that emphasized political failures such as rent seeking and the practical problems associated with Keynesian stabilization policies. These new theories seemed to offer valid explanations of what was happening in Sweden and why. These ideas eventually influenced policies, for example by emphasizing norms rather than discretionary decision making in stabilization policies. One policy recommendation that transpired from that school of thought was to have central banks that were independent from party politics and from government.

A stricter budget process with expenditure limits is a reform very much in the vein already described. An important factor for reform success was that these policy measures had proponents among prominent Social Democrats, and among agents who were influential in the Social Democratic Party. These persons bridged the gap between academic social science and politics. Several academically trained economists were well connected to the Social Democrats. One of them was Assar Lindbeck, Professor of Economics, who was leading the so-called Lindbeck commission that was working when Molander published his report in 1992.

Lindbeck was closely connected to the Social Democratic Party in the 1970s. Although he left the party in 1982 as a protest against the wage earners funds (a type of sovereign wealth fund where the Swedish government taxed a proportion of company profits and put this into special funds which bought shares in Swedish companies), he remained influential. Another example is Klas Eklund, who from 1982 until 1990 was employed in the Swedish Ministry of Finance and in the Prime Minister's Office, where he was an economic policy adviser and speechwriter to the Prime Minister. Eklund was a close collaborator of Kjell-Olof Feldt, Minister

of Finance during the same period (1982–1990) and is by many seen as one of the modernizers of Swedish social democracy (see also Hildingsson and Knaggård's chapter on the introduction of the carbon tax in this volume).

Eklund and Lindbeck were key players because of their credibility in both political blocs. Despite them being members of the Social Democrats and working closely with the Social Democratic government, they spoke the language of economists and argued for economic policies that were similar to what the right-wing parties were arguing for. Finance Minister Kjell-Olof Feldt also should be mentioned in this context. Only a few months after he suddenly resigned in 1990, and only a few months before the 1991 election, he released a book describing (among many other things) how the government had failed to keep fiscal policies sufficiently tight during the boom of the 1980s. The book provided a credible illustration of the economic theories according to which public spending could easily overshoot the target (in the sense that the marginal cost of public spending exceeded the marginal benefit, as described by Lindbeck 1994).

Another author and journalist worth mentioning is Anders Isaksson, who in 1985 and 1990 had released the first and second parts of his biography on Per Albin Hansson, who was Social Democratic Prime Minister in four governments between 1932 and 1946 and the person behind the idea to make Sweden 'the people's home' (*Folkhemmet*). Before releasing the final two parts of the biography, he released in 1992 and 1994 two pamphlet style books that were highly critical of a too generous welfare state (see Table 11.2 for a summary of the books by influential experts, all connected to the Social Democrats). The combined effect of these arguments was that proposals to dampen public spending could not be dismissed as right-wing thinking.

In 1997, the year of the reform, the release of Göran Persson's book *One who is in debt is not free—My story about how Sweden regained sound public finances* (Persson and Kask 1997) effectively made the struggle to lower public debt in Sweden an offensive weapon for the Social Democrats politically: having been Minister of Finance in 1995 and 1996, he became Prime Minister in 1996 and told vivid stories about the humiliating experiences of having to turn to financial markets for help to fund the welfare state.

It bears noting, however, that not all these bridge-building knowledge brokers were Social Democrats. Daniel Tarschys, Professor of Political Science at Stockholm University, was a member of the Swedish parliament for the Liberal Party in 1976–1982 and 1985–1994, and published academically on the problems associated with curbing public spending (Tarschys 1984, 1985). There were also several critical accounts of Sweden coming from right-wingers, both in Sweden and abroad. For example, the US-based right-wing think tank the Cato Institute published in 1991 a policy paper called 'Sweden: From Capitalist Success to Welfare-State Sclerosis' (Stein 1991). In Sweden, the young Conservative Anders E

**Table 11.2** Selected books published in the 1990s by people influential in the Social Democratic Party

Author	Translated title ( <i>Swedish title</i> )	Relevant message
Klas Eklund (1993) Economist who had worked at the Ministry of Finance and the Prime Minister's Committee, and also as secretary for a group for policy development in the Social Democratic Party 1988–1989	How dangerous is the budget deficit? ( <i>Hur farligt är budgetunderskottet?</i> )	The budget deficit is dangerous and threatens the welfare state
Kjell-Olof Feldt (1991) (Social Democratic Minister of Finance 1982–1990)	All those days in government (Alla dessa dagar—I regeringen 1982–1990).	Fiscal policy during the 1980s was not tight enough and the Ministry of Finance had too little power
Kjell-Olof Feldt (1994)	Save the welfare state! ( <i>Rädda välfärdsstaten</i> )	The future of the welfare state is threatened by Sweden's economic problems
Anders Isaksson (1992) (Social Democratic journalist and author of a four-part Per-Albin Hansson biography)	When the money is gone—welfare after the welfare state (När pengarna är slut—välfärden efter välfärdsstaten)	The economic crisis is not just a temporary downturn: it is a crisis for the welfare state
Anders Isaksson (1994) (Social-democratic journalist and author of a four-part Per-Albin Hansson biography)	Always more, never enough—On citizens, the state and social welfare (Alltid mer, aldrig nog—om medborgaren, staten och välfärden)	People respond to incentives created by the welfare state, threatening to make the welfare state economically unsustainable
Assar Lindbeck (1993) (Professor in Economics closely connected to the Social Democrats in the 1970s, but left the party in 1982 as a protest against the wage earners funds)	New conditions for economics and politics ( <i>Nya villkor för ekonomi och politik</i> ), SOU 1993: 16	Delivered 113 suggestions on how to improve macro-economic stability, increase efficiency and foster economic growth
Göran Persson (1997) (Social Democratic Minister of Finance 1994–1996, Prime Minister 1996–2006)	'One who is in debt is not free —My story about how Sweden regained sound public finances' ( <i>Den som är satt i skuld är icke fri—min berättelse om hur Sverige återfick sunda statsfinanser</i> )	The title says it all!

Source: author.

Borg attacked the idea of a universal welfare state on the grounds that it was bound to become too expensive (Borg 1992).

While the criticism from the right was less surprising, the fact that people with different ideological convictions seemed to agree on important aspects regarding the causes of Sweden's economic problems most likely helped the reform process. Political journalism often seeks and emphasizes conflicts and differences, but on this topic the major players seemed in agreement. This is especially true when compared to the vivid disagreements regarding other policy issues at the time, such as the changes to the employment protection and unemployment insurance that the right-wing government 1991–1994 implemented.

### **Process Levers: Commissions and Learning from Experience**

Bergh and Erlingsson (2008) point to Sweden's habit of initiating broad parliamentary commissions to investigate different aspects of politics (*Statens offentliga utredningar*) as an important explanation of the far-reaching and fast-paced reforms. These commissions facilitate the reform process by making it easier to identify problems before they become acute, thereby providing political parties with time to agree on solutions and negotiate compromises. They also serve an important de-politicizing framing function by unifying the worldview of actors with different ideological perspectives. Finally, they serve as a venue for direct engagement between policymakers, experts, and academic research. These three functions are all relevant for understanding the budget reform. When Molander's report was published in 1992 it fed directly into the work of two important commissions that were already under way.

The parliamentary commission was led by Ingegerd Troedsson, who had a long experience as a member of the parliament where she sat from 1974 to 1994. Her commission presented its conclusions in the spring of 1993, and these included a proposal regarding new work procedures for the parliament. Regarding the budget rules, four options were discussed. The three not chosen were to maintain the status quo, a model which would give the Finance Committee (*finansutskottet*) a central position, and finally a far-reaching proposal that the the entire budget was subjected to one single decision. The latter proposal was considered too extreme, but there was a consensus that something had to be done and that the status quo was unsatisfactory. Thanks to the presence of a more extreme alternative, the far-reaching proposal implemented could still correctly be described as a compromise.

The Lindbeck commission, named after its leader, economist Assar Lindbeck, had been initiated in December 1992 by Finance Minister Anne Wibble after Sweden had failed to defend the fixed exchange rate of the krona in 1992, which



effectively restored the competitiveness of Swedish firms by letting the currency depreciate via its now floating exchange rate. The instructions to the commission were broad: to provide actionable proposals for economic policies in the medium term. The group consisted of six persons: five academically trained economists and one political scientist. The academic composition of the commission illustrates how the role of experts contributed to a successful policy process. The commission secretary was Per Molander. As described in Table 11.2, the final report contained 113 proposals. Several conclusions from Molander (1992) were included and proposals no. 101–103 in the final commission report were to make the budget process stricter, to use top-down budgeting, to make the budget more transparent, and to include all expenditure in the budget.

### A Success for Whom, though?

As noted by McConnell et al. (2020), identifying a policy success based only on stated government goals neglects the different ‘success’ experiences of various stakeholders. Theoretically, some reforms can create so-called Pareto-improvements, that is, situations where at least some benefit from the reform and no one is made worse off. In practice, most policy changes create both winners and losers, and the latter group exists because some benefitted more from the policies that were in place before the reform. We must thus ask: who are the losers from a stricter budgeting procedure?

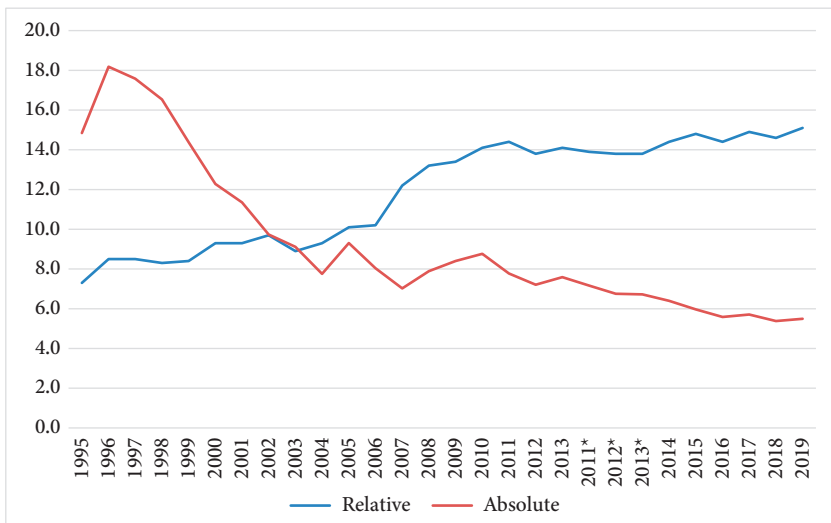
If the reform of the budgeting procedure is viewed strictly as a successful solution to a collective action problem, as described earlier, a case can be made that everyone benefits in the long run: the gains from having public finances in order outweigh the short-term costs associated with spending constraints. In this perspective, the losers are those who do not care about long-term consequences (for example the old who prefer higher spending on health care or pensions, even if that leads to problems down the road).

Aided by the budget reform, Sweden managed to halt both a short-run and a long-run trend towards increasing public debt, and that may well have had substantial economic benefits. That said, it is far from obvious that bringing a stable debt level at 50 per cent of GDP further down to 40 per cent of GDP generates substantial or even any gains, especially not if that decrease leads to an underfunded public sector at the expense of the most disadvantaged groups in society. Meanwhile, the counter-factual is unknown: it is not obvious that the increased spending that a higher debt ratio would enable would be targeted towards low-income earners.

Several scholars have noted that income inequality has increased in Sweden, especially when compared to the low levels that prevailed in the 1980s. The trend in Sweden is, however, similar to that in Denmark, Finland, Norway and Sweden

(Søgaard et al. 2018), and most of the increase in Gini-inequality since the early 1980s actually took place before the budget reform was implemented in 1997 (see e.g. Pareliussen et al. 2018 and Solt 2020). Nevertheless, Pareliussen et al. (2018) note that reductions in redistributive transfers, such as unemployment and sickness benefits may explain parts of the increasing income inequality—but also note that these changes may have strengthened work incentives and thus also mitigated inequality by increasing employment. In any case, the budget reform prevented unfinanced spending increases and did not require cutbacks of redistributive transfers, which makes it difficult to blame increasing income inequality on the budget reform.

Figure 11.3 shows that after the crisis of the early 1990s, absolute poverty has fallen, which means that a decreasing share of households cannot afford necessary spending. At the same time, relative poverty (measured as the share of households with disposable income below 60 per cent of the median) has increased. To properly evaluate the development, we need to know how the two poverty measures would have developed without the 1997 budget reform—which is impossible to know with certainty. Assuming that unfinanced public spending would be higher without the reform, a plausible counterfactual would entail a slightly weaker Swedish krona, which would mean a slightly higher absolute poverty level. However, assuming that the increased spending would benefit low-income earners



**Fig. 11.3** Relative and absolute poverty indicators in Sweden (1995–2019)

Source: Statistics Sweden.

Note: The relative measure is the share with adjusted disposable income below 60 per cent the median (*låg ekonomisk standard*). The absolute measure is the share living in households that cannot afford housing, childcare, travel and other similar expenditure (*låg inkomststandard*).

more than high-income earners, the counterfactual would also have lower relative poverty

If the budget reform led to lower productive public investments, a case could be made that the budget reform has made everyone worse off. While public investments did fall slightly during the second half of the 1990s, that decrease is explained mainly by lower investments in military weapons systems, while public investments in research and development have not changed since the 1980s ([Government Proposition 2017/18](#): 100).

### **Conclusion: The Virtues of Adaptive Reform**

As already noted, the budget reform was a success in several dimensions. The process was legitimate in that the approach based on commissions and experts fostered problem-solving capacity and made good use of expert knowledge (though the process was probably less successful when it came to creating a sense of procedural justice among the wider public). The system with commissions also ensured that the process was reasonably transparent, and the policy was based on a combination of ideas from economics and learning from other countries. The success was also programmatic in that the reform was implemented as planned and public debt as a share of GDP fell substantially after the reform. The success was also political in that the reform was supported by both political blocs and, at least initially, critical voices were rare and typically came from positions that were far from mainstream.

The reform endured for a considerable period of time. In 2016, a public commission noted that Sweden—despite not being an EMU-member—together with Luxembourg and Estonia was the only EU-country that had never violated the deficit rules in the Stability and Growth Pact of the European Union ([SOU 2016](#): 67). Yet, [Compton and 't Hart \(2019\)](#) define the endurance dimension ambitiously by noting that contexts change and unintended consequences emerge, and that successful policies must adapt to these dynamics through institutional learning and flexible adaptation. Is such a flexible adaptation possible for Sweden? The fact that the surplus target was adjusted downwards in 2019, suggests a positive answer. Top-down budgeting must not necessarily entail contractionary fiscal policies and/or a budget surplus. In the wake of the pandemic that hit the world in 2020, that particular topic is very much up for discussion in Sweden (see e.g. [Andersson and Jonung 2021](#)) but the idea of top-down budgeting is not questioned. An overall assessment of the budget reform thus leads to the conclusion that it was a successful reform when evaluated using the PPPE assessment model, with the possible exception regarding the procedural involvement of the wider public.

What are the lessons learned from this case that can inform our understanding of the dynamics of success? Clearly, the Swedish reform was made easier by the

problems that Sweden had experienced that culminated during the crisis in the early 1990s. A more useful lesson for other countries is the important role played by bridgebuilders and public commissions, and that the basic worldview and analysis of the problem to be solved was more or less shared by Social Democrats, right-wing politicians and experts in academia.

A more speculative observation is that the reform was prepared during a period when many other reforms were debated and implemented in Sweden. Because these other reforms typically had clearly visible short-run winners and losers, they got a lot of media attention. In contrast, the budget reform seemed to concern technicalities and sparked less interest from the media. Whether this was a desirable feature of the reform or not, will be left for the reader to ponder.

### Questions for discussion

1. To what extent is it a problem (or is it perhaps desirable?) when institutions restrict the choice set of democratic decision making to balanced-budget policies? If the democratic process results in low taxes and high social spending, with large public deficits as a result, is that a legitimate outcome? Who are the winners and losers from such policies?
2. The Swedish budget reform can be understood as an attempt to curb the tendency of politics to turn into a 'spending contest'. When and why will politics tend towards a 'spending contest'?
3. As described in the chapter, the new budget process may have succeeded in curbing the 'spending contest' only by instead turning politics into a 'responsibility contest' where parties compete over bringing down public debt. Is it possible to avoid both the 'spending contest' and the 'responsibility contest'? What institutions or policy rules would that require?

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# The Swedish Carbon Tax

## A Resilient Success

*Roger Hildingsson and Åsa Knaggård*

### **An Early Adopter of Carbon Taxation**

Sweden is often depicted as a pioneer in environmental and climate governance (Lundqvist 2004; Burck et al. 2020) and in climate change policy Sweden has championed a key policy instrument, the carbon tax, the first of its kind along with its Nordic parallels (Finland 1990, Norway 1991, Denmark 1992). Still being taxed at the highest rate globally (World Bank 2021), the Swedish carbon tax is hailed as a success for being effective in reducing carbon emissions while decoupling continued economic growth from national emissions. Since its introduction in 1991, the tax has been raised and redesigned step by step.<sup>1</sup> Backed up by a success narrative, it has attracted widespread support from a broad coalition of organized interests.

The Swedish carbon tax was introduced in response to two separate problems. The first was the challenge of climate change, captured through a unilaterally adopted target to stabilize Swedish carbon emissions (the so-called ‘1988 stabilization target’). The second problem was the pressing need to reform the entire Swedish tax system, through which a streamlined and lowered income taxation was compensated for by alternative sources of tax revenues. The carbon tax became part of the major tax reform adopted in 1990, providing both a new tax base and a contribution to the stabilization of carbon emissions. This is crucial for understanding the early adoption of the carbon tax; however, not for explaining its emerging success.

That success was certainly not preordained. The carbon tax landed on the political agenda without much head warning and the design process was short, leaving limited time for debate and deliberation. The knowledge base for deciding the appropriate level of the tax was underdeveloped and gave little guidance to the policy officials designing the tax. The level chosen was too low to reduce emissions substantially and none of the involved actors was happy with how it turned

<sup>1</sup> Since 1991, the general tax rate has increased from 250 to 1150 SEK/tCO<sub>2</sub>.

out. A rather thin, but sufficiently large political coalition of three political parties and parts of the environmental movement actively supported the adoption of the tax.

Given these difficult beginnings, it is quite astounding that the carbon tax is still around and has attracted so much praise. In terms of the four success dimensions in the PPPE assessment framework (programmatic, process, political and endurance) used in this volume (cf. [Compton and 't Hart 2019](#)), it represents what [McConnell \(2010\)](#) would call a 'resilient success'—not perfect but a policy successful to a second-best degree. This chapter tells the story of how a highly energy dependent and export-oriented Nordic country came to introduce this novel policy at that early point in time, and how a policy that initially was not seen as a success, over time came to be established as taken for granted.

## A Resilient Success

### Programmatic success

The programmatic success of the carbon tax was initially not so strong, but has grown over the years. The dual purpose of the tax—revenue gathering and emissions reductions—proved difficult to operationalize in an actual tax rate that could achieve both goals as well as secure sufficient political support. Different forms of discounts to the general tax rate were granted to industry, to reduce the risk that a unilateral carbon tax, not followed by other countries, would negatively affect the competitiveness of the export-oriented energy-intensive industry, which could lead to lower economic growth and lost job opportunities as well as larger emissions on a global scale. Not unexpectedly, the environmental movement criticized the Social Democratic government and the parliament for the carbon tax being insufficient for reaching the 1988 stabilization target ([Kågesson 1990](#)). But the Social Democrats were well aware of this, commenting that it was (only) 'a good start' ([DN 1989b](#)).

In practice, the discounts for industry shifted the lion's share of the tax burden to households and public services. At the time of adoption, this was considered reasonable by political parties as households were compensated through cuts in income taxes. But neither the public nor media were convinced by this argument and parts of the electorate still remain unconvinced. However, time has proven that the carbon tax was in fact 'a good start'. It has developed through a series of adjustments, increasing the tax rate substantially for households and transport, as well as recently also for the manufacturing industry.<sup>2</sup> The carbon tax has also been an efficient tool for supporting the transition of the energy sector and for slowing the increase in carbon emissions from transport.

<sup>2</sup> Industries not regulated by the EU Emission Trading Scheme (EU ETS).



In terms of its observable effects, the Swedish carbon tax has turned out effective in incentivizing economic actors to change behaviour and spurring low-carbon investments, notably in renewable energy (56 per cent of the total energy use in 2019; SEA 2021), leading to significant emissions reductions. While it is difficult to isolate the specific effect of the carbon tax from the entire climate and energy policy mix, there is evidence of ‘a clear and quite sizeable effect of the carbon tax in Sweden’ (Criqui et al. 2019: 9; see also Andersen et al. 2001; SEPA 2004). Overall, carbon emissions have fallen by 29 per cent since 1990 (see SEPA 2021), while the Swedish economy has strengthened considerably with a GDP growth at more than 50 per cent and, notably, has decoupled even faster than in other European countries (Criqui et al. 2019). In policy circles, such impacts have primarily been attributed to the carbon tax (see Kronsell et al. 2011).

The carbon tax, due to its design, has had different impacts on different sectors. In particular, it has been instrumental for the transition in the energy sector. Investments in district heating have led to both a significant expansion and a transformation of the energy mix, de facto decarbonizing the sector. This has generated an expansion of biomass energy, which also has spilled-over to manufacturing industries, reducing their emissions despite being taxed at a lower rate (Hildingsson and Khan 2015). Other policies (e.g. investment subsidies) have also supported this development, but the carbon tax is the main policy altering the financial incentives.

In the transport sector, the carbon tax has contributed to curb the increase in road transport and lower the use of fossil fuels, although not to the same extent as in the heating sector. The substantially higher price elasticity of transport fuels makes the sector more complex to regulate and taxation less effective for reducing emissions. Despite this, the increased price of petrol in combination with policies to promote alternative transport fuels have led to an expansion of the use of bio-fuels to a larger extent than in most other European countries (30 % in 2019; SEA 2021).

Overall, the various redesigns of the Swedish carbon tax—explained further in the section entitled ‘The Politics of Implementation’—have gradually strengthened its programmatic success, beyond what its architects possibly could have imagined.

### Process success

The process from initiation to design of the carbon tax was rather short, as the proposal needed to be ready for inclusion in the major tax reform. The idea of a carbon tax was aired in public debate for the first time in March 1988, and in the fall of 1989, a policy proposal was presented. The design took shape during the summer of 1989 and involved only a small number of policy officials from the Ministry of

Environment and Energy. They worked in the secretariat under a parliamentary commission of inquiry with participation from political parties and organized interests. Yet, due to the timing—the proposal was prepared in the midst of the summer holidays—and the fast pace, there was almost no time for wider deliberation in the commission. Although some participants raised eyebrows about the speedy process, the secretariat's proposal, in fact, carefully balanced different interests and values. First, it gathered enough revenue for the tax reform, as requested by the Social Democratic government. Second, it placed a tax on fossil fuels—lower than demanded by the liberal parties and the environmental movement, yet high enough to accept. Third, it included reductions for industry, responding to their competitiveness concerns, a position backed by the Conservatives and industry representatives.

As the proposal took a range of values and interests into account, it gave all stakeholders at least a piece of what they wanted. While the design process was relatively closed and top-down by Swedish standards, its output absorbed the complexity of the issues well. Over the years, the design has changed on several occasions, consistently increasing the tax rate for households and transport, whereas the rate for industry has alternated. Despite other disagreements, governments have been consistent in it being reasonable to let households carry the main burden of the tax.

### Political success

Initially, the political success was not strong, but it increased over time. In 1988, the idea to introduce a carbon tax was supported by a small coalition of policy and scientific advisors in the government offices and a few key persons in the environmental movement. The two liberal parties also became part of the coalition, followed by the Social Democratic Party, supported by the Prime Minister. It was these three parties that voted for the adoption of the tax, forming a solid majority in parliament. Industry representatives were against the tax, being concerned about risk to their competitiveness. Once the proposal was ready and it became clear that industry concerns were met, the criticism waned. Automobile associations also expressed their concerns, and warned that the tax would lead to a price shock on petrol. Due to the compensating effect of the income tax reductions and the price becoming lower than reported by the media, these worries also settled once the tax was introduced.

Soon after the adoption, in September 1991, the government in office lost the general elections and was replaced by a Conservative–Liberal coalition government. The new government reformed the carbon tax, reducing the tax rate for industry even further and simplifying the industry discount rules. Instead of breaking up the policy coalition, this move broadened and galvanized it. With time

it came to encompass almost all parties and industrial and environmental interests alike. Although there have been repeated disagreements over the exact level, the general direction has been agreed upon. Indicative of this is that while industry got further discounts, the general tax rate increased. Later governments of different political ideologies have continued raising the tax level for households while keeping the discounts for industry. Due to this, no single party has been able to claim the success of the carbon tax as theirs.

The tax's programmatic effectiveness in terms of both outcomes (energy transitions) and impacts (reduced carbon emissions) has been important for attracting wider political support for the policy, and for establishing Sweden as a leading example of carbon taxation worldwide (World Bank 2021). Over the years, Swedish governments have actively nurtured a compelling narrative on the success of the carbon tax. The success narrative has been backed by organizations, such as the *Swedish Society for Nature Conservation* (SSNC) and the *Swedish Bioenergy Association* (Svebio), and think tanks, such as *Fores* and *Global Utmaning* (see e.g. Kron 2011; Jewert 2012). Together with Svebio, SSNC has become one of the strongest advocates of the carbon tax. SSNC has even claimed the success of the carbon tax, arguing they came up with the idea and were instrumental in pushing through the tax as well as the further development of the eco-tax reform in the 1990s (SSNC website).

### Endurance

Much has happened during the 30 years since the carbon tax was introduced, most of which has strengthened its claim to success. The tax's endurance needs to be understood, firstly, in the context of the compelling success story nurtured by various governments and a wide range of interest organizations. This story has been built around a narrative about the effectiveness of the tax to cost-efficiently reduce carbon emissions and decouple national emissions from economic growth, while spurring low-carbon investments and new (green) jobs. This success narrative rests not only on the perceived effectiveness of the tax but also on claims of it constituting the main explanation for the decoupling of carbon emissions from economic growth in Sweden, often emblematically presented by government representatives (see e.g. Andersson and Lövin 2015).

This narrative has also fitted well into the rhetoric of governments to both the left and right. Despite repeated attempts to counter the success narrative by protests against the high price on petrol, a counter-narrative has not been able to get broad traction and only resulted in temporary stops in further increases of the tax. The revenues have been used to offer compensation in the form of reductions in income tax, which has contributed to lower the total tax burden in the economy and, thus, reduce popular (and business) opposition. The success narrative has

contributed to attract such wide support that the carbon tax nowadays appears as politically irreversible. The toughest test of the policy's endurance, so far, has come recently. In the spring of 2022, following the Russian invasion of Ukraine, the petrol price climbed to new top-levels. As a response, the parliament imposed a temporary reduction of the tax, supported by all parties but the Greens. In the run-up to the general elections in the autumn 2022, several parties suggest further tax reductions to attract voter support. However, so far, nothing indicates a decline in support for the carbon tax as such.

Despite these threats to the continued support for the tax, the success narrative has not been questioned. One explanation for this is that the tax's enduring success rest on the steadily growing public awareness about climate change and the felt urgency to take mitigating action, which has strengthened the arguments for the tax and has lifted it to become one of the backbones of Swedish climate policy. Furthermore, the growing global interest in carbon pricing policies (taxes and emissions trading) has also contributed to portraying carbon taxes as effective policy options for mitigating climate change and has resulted in the Swedish carbon tax being held up as a leading example of such an approach. Finally, although it is always difficult to pinpoint the specific effects of a policy, the carbon tax has had sizeable impacts on the energy sector in particular, feeding into the perceived effectiveness and success of the policy.

Thus, the Swedish carbon tax shows a clear case of a resilient success gradually emerging through time. Although far from perfect in terms of programmatic achievements, policy process or political support at first, the carbon tax has improved considerably on all success parameters and has proven its endurance. In the following, we lay out the process leading to this resilient success in more detail.

### **A Story of Sequencing, Timing and Coinciding Processes**

The adoption of the Swedish carbon tax was to some degree a coincidence—a result of different processes playing out in the right sequence. The timing was essential—if proposed a bit earlier or later, the carbon tax would probably not have been realized. The context of its adoption relates to several challenges: the growing importance of climate change, the anticipated need to use economic instruments to handle environmental problems, and the process to reform the entire tax system. The coincidence of these three processes played a vital role in establishing a political coalition for the carbon tax, in its design and in the process leading to its adoption.

#### **The road to a prime minister's speech**

After winning the general elections in September 1988, the Social-Democratic Prime Minister, Ingvar Carlsson, used his inaugural speech to announce 'an

environmental fee on carbon dioxide emissions' (Parliamentary Record 1988b).<sup>3</sup> The announcement sent an important signal of a shift in his government's focus: firstly, the acceptance of economic instruments in environmental policy and, secondly, the increased importance of climate change. Until then, many Social Democrats had been highly sceptical about the use of economic instruments in environmental policy, what they saw as letting industry 'buy a right to pollute' (Lundgren 2005). Branches within the party had pushed for using economic instruments (Anshelm 1995), as had the environmental movement and the liberal parties (e.g. Örn 1987; Westerberg 2020: 90).

During the latter half of the 1980s, the Social Democratic Party (*Socialdemokratiska arbetarpartiet*) started to shift its position. An important figure arguing for this shift was economist Klas Eklund, who had been working as policy advisor to the Minister of Finance since 1982, and previously had been a PhD student to Professor Erik Dahmén, who was early to argue for 'putting a price on the environment' (Dahmén 1968). Eklund took a leading role in the party's internal debate on the use of environmental economic policy instruments (e.g. Eklund and Larsson 1987). In 1987, the Social Democratic party congress decided to accept the use of such instruments after an intensive debate led by the Minister of Environment and Energy, Birgitta Dahl (SAP 1987; Interview 8). According to the, then, Prime Minister Carlsson, the shift came about after he himself had been convinced about the benefits of such instruments by an acquaintance, economics professor Karl-Göran Mähler (Interview 2).

In the following year, this shift led the Social Democratic government to suggest fees on a number of pollutants, including nitrogen, sulphur and phosphorus (but not on carbon dioxide) in the first comprehensive bill on the environment (Government Bill 1988). The government also appointed a Commission of Inquiry on Environmental Fees (abbreviated MIA), encompassing members from all parliamentary parties, policy officials from relevant government agencies, and experts from industry, trade unions and the environmental movement. The MIA Commission's task was to suggest how economic instruments could be utilized in environmental policy to a greater degree. The shift to accept economic instruments in environmental policy was pivotal for the inclusion of a fee on carbon emissions in the Prime Minister's inaugural speech in the autumn of 1988 and the MIA commission later became instrumental for the design of the carbon tax.

A second shift in the government's focus was the new priority given to climate change. So far, the Social Democratic government had been rather reluctant to prioritize the issue. The reason was the 1980 referendum on nuclear power, in which the Social Democratic alternative (a slow phase-out of nuclear power) won. The Social Democrats ended up with the challenging task of replacing nuclear power with other sources of energy. Oil was out of the question after the two oil

<sup>3</sup> 'Fee' was the common term for placing a price on emissions. It was only later that the 'fee on carbon dioxide emissions' was instead labelled 'a carbon tax'.

crises in the 1970s. The same was true for hydropower, following an earlier decision to preserve the last unexploited rivers, and other renewables were not yet market ready. The only realistic options, as the Social Democrats saw it, were coal and natural gas. This made climate change tricky for them, as any move on climate change could jeopardize the nuclear phase-out (Anshelm 1995). Therefore, climate change was not one of the issues the government engaged with in particular in their 1988 environmental bill. Instead, the Conservative Party (*Moderata samlingspartiet*) and one of the liberal parties, the Centre Party (*Centerpartiet*), independently suggested a target to stabilize carbon emissions (Motion 1988a, 1988b), which also was adopted by parliament despite the Social Democratic opposition (Parliamentary Record 1988a).

The Social Democrats correctly feared that a strong emphasis on climate change would risk the nuclear phase-out. In fact, one of the reasons for the Conservative Party's motion was to use climate change concerns for restoring faith in nuclear power as a viable energy option for the future (Parliamentary Record 1988a; Knaggård 2009). The Liberal People's Party (*Folkpartiet*) saw the benefits of nuclear power, but also advocated the use of economic environmental instruments in general (e.g. Örn 1987). For the Centre Party, with its roots in the rural farmers' movement, the stabilization target instead meant their long-standing focus on renewable energy would gain importance, in line with their vision of sustainability (Parliamentary Record 1988a). Thus, the various members of the parliamentary coalition that carried the stabilization target each had their own reasons for doing so. For the Social Democrats and for the Minister of Environment and Energy in particular, the stabilization target made the energy dilemma worse.<sup>4</sup>

The autumn 1988 general elections were unusual in many ways. During the summer, the alarming number of dead seals floating ashore along the coastline had become big news and the mass deaths were attributed to pollution and the deteriorating Baltic Sea environment.<sup>5</sup> It contributed to both environmental concerns and environmental media reports peaking in 1988 (Holmberg and Weibull 2008; Bennulf 1994). Environmental concerns became the single most important issue for a vast majority of the electorate and the Green Party (*Miljöpartiet de gröna*), formed in 1981, managed to get into parliament for the first time, with a 5.5 per cent voter turnout.

The Social Democrats won the elections and formed a minority government with Ingvar Carlsson as Prime Minister. It seems reasonable to assume that the electoral support for green values and the entry of the Green Party into parliament were important reasons behind his decision to mention 'a fee on carbon dioxide emissions' in his speech later that fall. The 1988 stabilization target put

<sup>4</sup> In fact, the energy dilemma led to the Ministry of Environment and Energy splitting in May 1990, leaving Birgitta Dahl as Minister for Environment, whereas the energy portfolio was given to the Minister for Industry, Rune Molin, who was more pragmatic in terms of nuclear energy.

<sup>5</sup> Later it became known that the seal population in the Baltic Sea had been hit by a virus.

pressure on the government to act, and both the Centre Party and parts of the environmental movement supported the idea. That said, at the time, the general greening of the public agenda was more connected to other forms of pollution, including acidification and eutrophication and with sentiments against nuclear power than it was with climate change. The same can be said about the Green Party, which was formed on the wings of disappointment over the result of the nuclear referendum and thus far had not been driving the move towards environmental fees and carbon taxation. In fact, Carlsson's decision to include carbon pricing in his speech had more to do with the politics of the 1988 stabilization target and the Social Democratic shift on economic environmental instruments. However, what moved him to announce a fee exactly at that moment none of the actors involved can remember, not even Carlsson himself (Interviews 2, 9a).

What we do know is that the idea was introduced into the public debate by the scientific advisor and a policy advisor to the Prime Minister in an op-ed in March 1988 (Bolin and Lönnroth 1988). Bert Bolin, Professor in Meteorology at Stockholm University and scientific advisor to Prime Minister Carlsson, was active in a scientific community advocating for political climate action and later that year became the first chair of the Intergovernmental Panel on Climate Change (IPCC). Bolin had participated in an international scientific conference resulting in a conference report listing a 'carbon tax' as one policy option to reduce emissions from fossil fuels (WMO 1985). It is likely that Bolin got the idea of a carbon tax from discussions in that community. Indicative of this is that in their op-ed, Bolin and Lönnroth talked specifically about a 'carbon tax', not a 'fee', which was the term used in the Swedish debate at that time.<sup>6</sup> Ingvar Carlsson, and others, speculate that it must have been Bolin's doing (Interviews 2, 9a).

Following Bolin's and Lönnroth's op-ed, there were two other occasions prior to the Prime Minister's speech when a carbon fee was suggested in the debate. The Centre Party proposed it in connection to their suggestion of a stabilization target in June 1988 (Motion 1988b). In September, Magnus Nilsson from the SSNC, the leading environmental organization in Sweden, pushed it at a seminar organized by Svebio and attended by some politicians, among others (SvD 1989). Contrary to earlier suggestions, Nilsson proposed a rate for the fee, based on his own calculations (Interview 10; SvD 1989)—in fact, precisely the level that was later introduced. Some weeks after the Prime Minister's speech, Nilsson, together with the Vice Chairman of the SSNC, Per Kågesson, wrote an op-ed in a leading newspaper making the case once again (Kågesson and Nilsson 1988). Kågesson, in turn, was at this time involved as an environmental expert in the MIA commission, where he introduced the idea (Interview 7; Engström 2020).

<sup>6</sup> In the text, we use the concept 'carbon tax', except when referring to actors that explicitly use the concept 'carbon fee'.

## Coinciding processes: The tax reform

Even with the Prime Minister mentioning a carbon fee, there might not have been a carbon tax, had it not been for the coinciding process (initiated in 1987) of reforming the entire tax system, acting as a catalyst for the development. The taxation system over the years had become unsustainable with perverse incentives and very high marginal taxes. It had been reformed incrementally, but the government eventually realized that the whole system needed an overhaul (Agell et al. 1996; Westerberg 2020). The main idea was to shift taxes from income to other revenue sources, of which an increased and evenly used value-added tax (VAT) on goods and services was an important part. The two commissions of inquiry tasked with investigating and designing the reform presented their proposals in June 1989. The ‘tax reform of the century’ (see e.g. Agell et al. 1996; Carlsson 2003), still constitutes the largest tax reform worldwide (Englund 2019), which provided very special circumstances.

The tax commissions searched for new sources of revenues to compensate for the loss of revenue from reduced income taxes (Interview 1b). A tax on carbon emissions fitted that profile. At first, emissions fees on energy (not only on carbon) were subsumed under the tax commissions’ mandates, but were later moved to the MIA commission at the request of Bengt Westerberg, party leader of the Liberal People’s Party, to enable a comprehensive investigation of economic environmental instruments in the energy and transport sectors (GP 1989a). Even if the move to the MIA commission clearly shows that the carbon tax was not just an economic policy instigated for the revenue, it is doubtful if it would have been realized without the added value of its contribution to the tax reform.

The ground having been laid, a political coalition was forming for a carbon tax, including the two liberal parties and leading representatives of the environmental movement. More importantly, it also included the Prime Minister and, due to the connection to the tax reform, the Ministry of Finance.

## Working under pressure

In April 1989, the MIA commission was assigned to present a proposal for energy and transport by mid-October (Terms of Reference 1989). The short time span was unusual and, in fact, time was even more constrained as the tax commissions would present their proposals in June and flag the arrival of the still to be developed carbon fee. As a result, the MIA commission needed to come up quickly with a proposal fitting into the tax reform, providing sufficient revenue to finance cuts in income taxes. It also had to deliver a proposal that would be acceptable to a majority in parliament as there was no time for revisiting the policy design should the proposal not find enough political support.



The limited time span influenced the work process of the commission. The task to prepare a proposal was delegated to a secretariat, quickly assembled within the Ministry of Environment and Energy, composed of policy officials with competence in energy, environmental, and legal issues (Interviews 1a, 3a, 5; Engström 2020). Working intensively over the summer—even taking a working holiday together, accompanied by their families—the secretariat developed its proposal in a period within a mere three months (Interviews 4, 5; Engström 2020). In August, they presented the wider commission with their proposal. Several members of the commission would later complain that the process had been too hasty, narrowly focused, and that they had had little possibility to influence it (Commission Report 1989). Even the policy officials in the secretariat were concerned that the pace was too fast for the politicians (Interview 4). The fast pace meant that the investigation quickly honed in on a carbon tax, leaving other policy options (such as a cap-and-trade mechanism) aside. It also left very little time for political negotiations, delimiting the political coalition carrying the policy in parliament to the Social Democratic Party and the two liberal parties.

During the spring and summer of 1989, occasional media reports suggested that the new environmental fees would lead to petrol-price shocks (e.g. DN 1989a; GT 1989). These shocks were attributed to the presumed high level of the carbon tax and to a whole range of other price increases, such as the increased VAT. Any public concern this caused did not affect the work of the secretariat and folded soon after the proposal became public, as the suggested rate of taxation was lower than what media reports had presumed. Meanwhile, the critique coming from industry was more important. The energy-intensive industry argued that a unilateral price on carbon emissions would damage the competitiveness of Swedish industry and threaten economic growth and job opportunities (e.g. Sahlberg 1989; see also Commission Report 1989). These worries were shared among most parties, including the Social Democrats, and were accepted by parts of the environmental movement (Interview 7; Commission Report 1989). While not challenging the carbon tax per se, anticipating such concerns, the secretariat felt a need to come up with a balanced proposal of a carbon tax sufficiently high to have an effect on emissions, but with a design attracting the political support needed to get it approved.

## The proposal

The Commission's published proposal had four parts (Commission Report 1989):

1. A carbon tax on oil, coal, gas and liquified gas, as well as similar taxes on petrol and diesel. The tax rate was set to equal 250 SEK/tCO<sub>2</sub> for each of the fossil fuels.

2. The pre-existing tax on energy was cut to half. The argument for keeping the energy tax but lowering its rate, instead of replacing it completely with a carbon tax, was to retain a possibility to steer according to energy policy and fiscal objectives.
3. VAT was placed on energy, at the same rate as in other sectors.
4. The rather complex system of reductions of the tax rate and deduction possibilities for the energy-intensive industry was carried over from the energy taxation.<sup>7</sup>

The secretariat used a fairly well-developed theory of change based on economic theory, but also had to rely on rule-of-thumb judgements as there was little or no precedent (and thus data) to fall back on. The balance between the levels of the four parts of the proposal was based on guesstimates rather than solid knowledge (Interview 3b). According to one of the policy officials in the secretariat, they ended up with the rate, because it was 'a good, round number' (SvD 1989). The secretariat judged that the package would provide the needed revenue for the tax reform (crucial for the Social Democrats), while having a substantial effect on emissions, although not to the extent needed to meet the 1988 stabilization target (Commission Report 1989). For that, a substantially higher level would have been required, which could have led to petrol-price shocks that probably would have been unacceptable to most political parties. Therefore, the intended goal seems to have been to slow down the increase of carbon emissions rather than actually stabilizing them.

Further, the secretariat, with the assistance of the widely respected Social Democratic parliamentarian and chair of the MIA commission, Jan Bergqvist, carefully balanced the wishes of the political parties. The Social Democrats got their revenue and, as it was later called, 'the world's first carbon fee' (DN 1989b), although technically Finland was first. The liberal parties got a price on carbon, although lower than they, or the SSNC, wanted. The Conservatives and industry representatives were met in their worries about industrial competitiveness. The Conservatives' possibility to challenge the tax was also reduced by the fact that they had suggested the stabilization target in 1988. The Green Party was marginalized, wanting no discounts for industry, and along with the Conservative Party and the Left Party (*Vänsterpartiet kommunisterna*), they were side-lined in the following political negotiations on the tax reform. Although no party got exactly what they wanted, the proposal was balanced enough to prevent any stronger opposition. The secretariat skilfully designed a proposal that could be supported despite the time

<sup>7</sup> For example, companies had to apply for the reductions, granted by the government on a two-year basis, set so the tax would not amount to more than 1.7 per cent of the costs for the products manufactured.

being too short for building broader political support and the MIA Chair Bergqvist assisted in convincing the wider commission.

### Towards adoption

During the late 1989 and early 1990, negotiations took place between the Social Democrats and the two liberal parties to strike a deal on the tax reform. The negotiations were difficult and almost broke down on several occasions. The carbon tax was not an item, as the three parties agreed on its inclusion. In the end, only the Social Democrats and the Liberal People's Party backed the reform in its entirety (Carlsson 2003; Westerberg 2020; Interview 12).

Before the government could present its tax reform bill, a political crisis erupted. During 1989, political and public focus had shifted towards problems in the Swedish economy.<sup>8</sup> The government tried to act but was challenged by trade unions and factions within the Social Democratic Party, split on the direction of the economic policy. When the parliament rejected the government's fiscal 'rescue' package to prevent the crisis, the government resigned in mid-February 1990. Two weeks later, the government was reinstalled with a new Minister of Finance. Under the threat of a new election and an untamed economic crisis, the carbon tax was neither a big issue in the public eye nor for policymakers, not even for industry. What also contributed to the subsiding public debate was that the carbon tax, as part of the tax reform, was seen as far less controversial than other parts of the reform. Many of the involved actors later agree that the carbon tax was considered a second-order issue at that point (Interviews 1a, 2, 5, 6, 10, 11).

One month after the government was reinstalled, it presented the tax reform bill to parliament, including the carbon tax (Government Bill 1990). The reform was supported by the Social Democratic Party and the Liberal People's Party, and the carbon tax was also supported by the Centre Party. Together the three parties formed a solid parliamentary majority (242 out of 349 mandates) in favour of the carbon tax, which after adoption entered into force in 1991.

### The Politics of Implementation

The implementation of the carbon tax was not an instant success—neither in terms of outcomes nor in how it was received and talked about. Although the public debate soon turned to more pressing matters, initially political editors at leading newspapers fiercely criticized the carbon tax proposal for being fiscal rather

<sup>8</sup> Two years later, it resulted in a severe banking crisis.

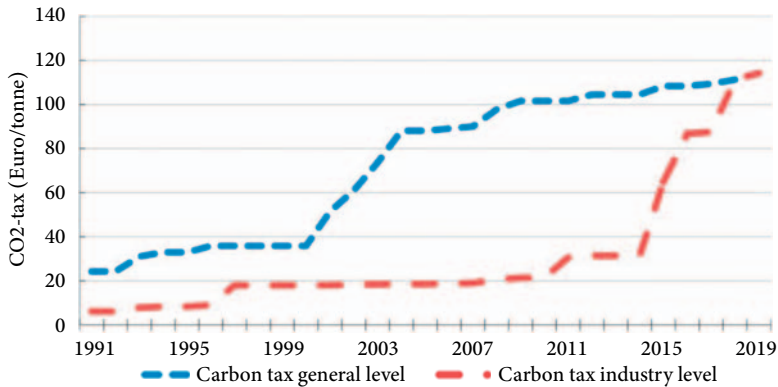
than environmental (DN 1989b; GP 1989b). An umbrella organization for various automobile associations—the *Automobile Parliament*—argued fiercely against the ‘price shock’ that they claimed would raise the petrol price by 2 SEK/litre (DN 1989a), which at that time would have corresponded to more than a 30 per cent price increase. Ever since, public protests and campaigns reeling against the high petrol prices have erupted, staged by automobile associations, rural organizations, and other pro-car groups, and political disagreements have continued over fundamental issues like the extent to which industry should pay for its emissions, the overall level of the tax and its distributive impacts. Despite this, the carbon tax has, over time, attracted wider support and acceptance among a broad set of constituencies, political parties and interest groups.

This process started in 1993 with the first redesign of the tax and took hold in 2007, when the Conservative Party shifted position on climate policy after the Stern Review (Anshelm 2012; Knaggård 2009). Since then, the carbon tax is a policy not only embraced by Social Democrats, Liberals and the environmental movement but by Conservatives and industry. The expansion of the political coalition behind the tax has been crucial for its perceived success, and for the build-up of a dominant success narrative. The endurance of the policy should also be understood in relation to its perceived effectiveness to promote energy transitions and emissions reductions.

In response to various concerns, including industry competitiveness, distributive impacts and effects on greenhouse gas emissions, the carbon tax has developed further and been redesigned in an incremental fashion. This has reflected institutional learning as well as changes of government composition, and has turned out to be an important driver of its endurance, both in terms of its effectiveness in pricing emissions and incentivizing low-carbon investments and of easing opposition and broadening support for the policy. A key balancing act throughout this process has been how to determine the tax placed on industry. A second important aspect has been to compensate increases in the carbon tax with income tax reductions in a revenue-neutral manner, known as the ‘eco-tax reform’ or the ‘tax-and-dividend’ strategy.

The first major redesign process started in the year of the tax’s inception, driven by the concerns for the international competitiveness of industry. In September 1991, a Liberal-Conservative government, led by the Conservatives, came into power following the general elections. It was a period of political turmoil, especially due to the banking crisis in 1992. Sweden was also preparing for its EU accession in 1995. A commission of inquiry reporting to the Ministry of Finance on the design of the carbon tax, anticipated risks of hampered competitiveness and job losses, especially in energy-intensive industry, and raised concerns about the compatibility with EC and GATT rules (Commission Report 1991).

In the context of the crisis, the Conservatives argued for lowering the tax rate for industry so as not to jeopardize its competitiveness. However, the Center Party



**Fig. 12.1** The development of the Swedish carbon tax 1991–2019.

*Source:* Criqui et al. 2019; reproduced with permission by its authors.

*Note:* For 1991–1993, the industrial carbon tax level represents an average estimate, as the deductions for industries were provided on a complex case-by-case basis (for details, see e.g. Sterner 1994) until being replaced by a general discount for energy-intensive industries in 1994. Currency conversion based on an exchange rate of SEK 10.33 per EUR.

resisted and to accept required the general tax level to be increased, a position also supported by the Liberal People's Party, which was keen to retain the main principles of the tax reform. In 1993, the carbon tax rate was raised to 320 SEK/tCO<sub>2</sub>, to be offset by a decrease in the overall corporate tax rate (Government Bill 1992). The complicated reduction scheme was replaced by a general discount for industry to one-fourth of the tax rate (see Sterner 1994) and the energy tax was removed for industry. The Social Democrats, returning to power in 1994, were not satisfied by this redesign. Motivated by harmonization to EU rules, the government lowered the discount for industry from 75 to 50 per cent of the tax level (Government Bill 1996), a change entering into force in 1997. It implied a doubling of the carbon price for industry (see Figure 12.1).

The second major redesign feature over the years has been the eco-tax reform. In fact, already the 1990 tax reform entailed elements of shifting tax burdens from tax on incomes to environmental taxes, an aspect grossly misunderstood and criticized in the media at the time (e.g. DN 1989b). In 1995, the debate had developed and the Social Democratic government appointed a parliamentary commission of inquiry to investigate the conditions for greening the tax system further. Within the context of the commission work, all parties but the Conservatives agreed on a tax-and-dividend strategy as an appropriate policy for addressing environmental impacts, including climate change. The commission did not present a final proposal, as the parties were split on the magnitude of the reform (Commission Report 1997). The debate continued and after the 1998 elections, there was finally enough political support to go forward with the idea. Even so, raising the petrol price was still a sensitive issue. In 2000, a political agreement was struck between

most parties to increase the tax, but it fell apart as the oil prices hiked and parties feared the judgement of their constituencies (Knaggård 2009).

In 2001, the government started to implement the eco-tax reform (Government Bill 2000). It amounted to approximately 15 billion SEK and, as part of the reform, the carbon tax rate was raised step by step from 370 SEK/tCO<sub>2</sub> in 2000 to 910 SEK/tCO<sub>2</sub> in 2004. The tax rate for industry only rose from 185 to 191 SEK/tCO<sub>2</sub>, as the discounts for industries again increased from 50 to 79 per cent. The reform was halted in 2005 after another hike in petrol prices. The end-user price on petrol for the first time rose above 13 SEK/litre, which ignited huge protests against the taxes on petrol. The *Petrol Tax Uprising* in 2005–2006 collected over 1 million signatures (more than 10 per cent of the population), after being supported by automobile associations and leading newspapers (Winsborg 2007; Expressen 2005). Some parties, notably the Christian Democratic Party (*Kristdemokraterna*), supported the uprising and even rallied for reducing petrol taxes in the 2006 election campaigns.

In the 2006 general elections, the four-party, Liberal-Conservative 'Alliance' came into power. The Alliance went to the polls promising to roll back the eco-tax reform. However, once in power, they did not follow through but found themselves bound by growing climate change concerns and the strong international climate policy discourse emerging at that time. This enabled the two liberal parties to force the Conservative Party to shift position. The Minister of Finance, Anders Borg, even came out in support of taxing 'bads' while lowering taxes on income. This influenced the government to argue for the carbon tax being the chief climate policy instrument (Government Bill 2009), de facto embracing the success narrative around the tax. In fact, they raised the tax even further in the coming years (see Figure 12.1).

In those years, a third issue came to the fore that affected the specific design of the carbon tax: the EU Emissions Trading Scheme (EU ETS), an EU-wide carbon-pricing mechanism regulating industrial carbon emissions introduced in 2005. Motivated by the idea of avoiding a double regulatory burden on industrial facilities regulated by EU ETS (mostly energy-intensive industries), the government exempted them from the Swedish carbon tax (Hildingsson 2014). This changed the rules of the game. However, manufacturing industries are less sensitive to international competitiveness, which motivated the government to phase out their remaining discounts gradually between 2011 and 2018 (see Figure 12.1).

Industrial competitiveness concerns are, in relation to the carbon tax, no longer an issue. Instead, the distributive impacts of the tax have increasingly come to the fore. In April 2019, just months after the *Les gilets jaunes* protests proliferated around France, a major campaign—the *Petrol Uprising 2.0*—was ignited by a new hike in petrol prices. This campaign, counting over 600,000 supporters at its peak, was organized via social media and received support from Conservative interest groups and political parties (SvD 2019). Similar to the situation in France,

the second uprising attributed their concerns to social justice claims, such as the regressive impacts of energy and carbon taxation, contraction of public services and the lack of recognition of living conditions in rural areas.

Public protests have temporarily halted decisions on further tax increases, both in 2005 and in 2019, but have not had any lasting impact on the political support for the carbon tax. Reasons for this are, first, that the share of disposable income paid for energy and carbon taxes has not increased over time and, second, that the general approach among Swedish politicians when it comes to distributive impacts has been to regulate them through universal social welfare arrangements, redistributive policies and regional policy. Also, since the carbon tax was introduced, the total tax pressure has been lowered significantly. The only exemption to this has been during the recent price hike in the spring of 2022, after which the tax on petrol and diesel was temporarily reduced. In fact, these tax reductions should be seen as evidence of the endurance of the tax also during turbulent times. As intended in its original design, the carbon tax is left intact, while a temporary decrease of the energy tax is used to compensate for the rapid price increase.

### **Conclusions: The Dynamics of an Emerging Success**

[Compton and 't Hart \(2019: 9\)](#) note that the assessment of policy success 'often depends upon when you look'. The Swedish carbon tax was far from an overnight success. Had it been assessed five or ten years after its introduction, it is doubtful if it would have ended up as a case study in this book. This points to the importance of the endurance dimension within the PPPE framework. The Swedish carbon tax clearly represents a case of gradually emerging success. Important for understanding the gradual nature of this process is that it takes time to deliver on programmatic goals when dealing with large-scale energy transitions, transport infrastructure and capital-intensive investments. In relation to climate change, we have also witnessed a gradually growing awareness and political will to act over the years, leading to higher political ambitions and, thus, advanced programmatic goals. The gradual strengthening of the public value proposition underpinning the carbon tax has contributed to the gradually growing sense of success.

The Swedish carbon tax, 30 years after its inception, can be regarded as a resilient success, based on McConnell's typology (2010). The programmatic success, both perceived and actual, has grown over time and has far exceeded initial expectations. However, there are lingering concerns about its distributive impacts. The process success has been more challenging as issues of both distributive justice and industry concerns have had to be handled. Industry concerns were successfully managed early in the process. However, sentiments about households having to bear the main burden and industry being able to 'buy a right to pollute' have persisted, although Social Democratic governments in particular have tried to meet

this concern with a tax-and-dividend strategy. Parts of the electorate continues to be troubled by the high carbon tax, yet the counter-narrative of an unjust tax has not been able to challenge the success narrative and the political support for it.

The political success has been built over time from an initially rather small political coalition (Social Democrats, Liberals and a leading environmental organization) to today encompassing almost all parties and the environmental movement at large as well as industry. Critical to this growing success has been the policy design with a general tax level combined with discounts for industry, enabling governments to adjust the policy according to their ambitions and to changing circumstances. Above all, the Swedish carbon tax is an endurance success explained by its perceived effectiveness and a compelling success narrative legitimizing the policy. For how long this situation will last is, however, an open question, as there nowadays exists a parliamentary party (the populist Sweden Democrats) that can capture voters disliking the carbon tax and provide a political platform for a counter-narrative. However, even though the price hike in the spring of 2022 has increased the traction of the counter-narrative among parties and the electorate, nothing so far indicates that the support for the carbon tax has waned.

The case of the Swedish carbon tax clearly shows how coincidences and deliberate efforts can interact to push policy processes forward (see [Kingdon 1984](#)). However, the case contains more coincidences than is normally the case. Firstly, the carbon tax was introduced as part of the ‘tax reform of the century’, in which it turned out to be a politically uncontested issue. Secondly, it became part of the new environmental policy agenda to price environmental harm by the use of economic policy instruments. Without the Social Democratic shift to accept such policies, the carbon tax would not have been possible. Thirdly, the carbon tax was part of a whole string of new environmental fees, raising the costs for industry in particular. As those costs were reduced in the case of the carbon tax, industry representatives readily accepted it. Fourthly, it was part of a policy package raising the price on petrol (including VAT, but also other fees), making the carbon tax only one among many evils for car drivers. These circumstances diffused criticism and opposition. Combined with the looming economic crisis, focus quickly shifted away from the carbon tax, although it has recurred several times over the years. This shows the importance of policy packaging for getting policies through.

As in other success cases, these coincidences interacted with deliberate efforts by skilful actors who designed a flexible policy instrument that could attract sufficient and growing political support. What was unusual, at least from a Swedish perspective, was the rather limited political influence over the initial design of the carbon tax. This is explained by the short deadline, leaving little time for political deliberation over the design. This fact reduces the success of the tax from a policy process point of view. However, it enabled the formation of a political coalition at



that time. While political parties disagreed on everything from the components of the tax (carbon tax, VAT, energy tax, industry discounts) to their levels, the policy officials' proposal, although not pleasing anyone in particular, eased political disagreement, as all got something they cared for.

Overall, the Swedish carbon tax represents an instance of a slowly emerging policy success. It has lasted over 30 years and has continued to deliver on increasingly ambitious policy targets throughout this time period. As the first case worldwide of a carbon tax introduced with the purpose to reduce emissions, it was adopted at a time when knowledge about climate change was yet to be established and the magnitude of the problem was not fully understood politically. As such, it could be described as far-sighted. However, closer to the truth is that many different aspects fell into place, enabling its adoption. Its flexible design has allowed it to answer to increasing climate ambitions, but also to meet shifting political concerns. Crucial for its endurance has been the stable political coalition behind it, broadened over time due to the possibilities of redesign. Interestingly, the case of the Swedish carbon tax also shows that policy success can be reached without wide policy deliberations. Much of the success, the carbon tax owes to its initial architects, who in the policy design managed to meet the concerns of most parties and interests, at least, halfway. The price they paid was a lost summer vacation, and probably many late nights. But, at the end of a long policy journey, it is nice to know that hard work pays off, and endures over time.

### Questions for discussion

1. Do you think the Swedish carbon tax would have been adopted in 1990 or soon thereafter, without the major tax reform? What points towards such a scenario and what speaks against it?
2. To what extent can the adoption and the growing success of the carbon tax be attributed to the strategic work of particular actors? Which actors were important and in what ways?
3. What explains the gradually emerging success of the Swedish carbon tax? To what extent can it be attributed to its performance in terms of outcomes and impacts and to what extent to the success narrative being nurtured? Are there other explanations?
4. What enabling factors and conditions would be necessary for introducing a similarly successful carbon tax in another country? What lessons could be drawn from the case of the Swedish carbon tax, or similar policies in other Nordic countries?
5. What circumstances do you think would be necessary for successful policies, such as the carbon tax, to be abolished?

## Links to online resources

Mats Engström's blog post about the work behind the scenes in the MIA secretariat: <https://mengstrom.blogspot.com/search?q=koldioxidskatt/> (in Swedish).

Swedish energy statistics (Swedish Energy Agency): [http://www.energimyndigheten.se/globalassets/statistik/energilagget/energy-in-sweden-facts-and-figures-2021\\_210205-1.xlsx/](http://www.energimyndigheten.se/globalassets/statistik/energilagget/energy-in-sweden-facts-and-figures-2021_210205-1.xlsx/) (dataset, in English).

Statistics on Swedish carbon emissions (Swedish Environmental Protection Agency): <https://www.naturvardsverket.se/Sa-mar-miljon/Statistik-A-O/Vaxthusgaser-territoriella-utslapp-och-upptag/> (dataset, in Swedish).

Statistics on the price on petrol at the pump:

<https://drivkraftsverige.se/statistik/priser/> (dataset, in Swedish).

The World Bank report *State and trends of carbon pricing 2021*, with statistics of carbon-pricing policies (carbon taxes and emissions trading) around the world: <https://openknowledge.worldbank.org/handle/10986/35620/>.

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## Interviews

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- Interview 1b: Rolf Annerberg, telephone interview, 11 June 2008.
- Interview 2: Ingvar Carlsson, Prime Minister, leader of the Social Democratic Party, online interview, 30 September 2020.
- Interview 3a: Mats Engström, policy official at the Ministry of Environment and Energy, Secretariat of the MIA commission, online interview, 25 June 2020.
- Interview 3b: Mats Engström, interview, 6 March 2008.
- Interview 4: Maria Gårding Wärnberg, policy official at the Ministry of Environment and Energy, Secretariat of the MIA commission, telephone interview, 17 September 2008.
- Interview 5: Håkan Heden, policy official at the Ministry of Environment and Energy, Secretariat of the MIA commission, telephone interview, 10 June 2008.
- Interview 6: Kjell Jansson, chief policy official at the Ministry of Environment and Energy, telephone interview, 13 June 2008.
- Interview 7: Per Kågeson, Vice Chairman of the *Swedish Society for Nature Conservation*, expert in the MIA commission, online interview, 5 March 2021.
- Interview 8: Peter Larsson, policy advisor at the Ministry of Environment and Energy, online interview, 28 September 2020.
- Interview 9a: Måns Lönnroth, policy advisor at the Prime Minister's Office, later at the Ministry of Environment, online interview, 28 September 2020.
- Interview 9b: Måns Lönnroth, telephone interview, 27 May 2008.

Interview 10: Magnus Nilsson, policy officer, *Swedish Society for Nature Conservation*, online interview, 9 October 2020.

Interview 11: Bengt Westerberg, leader of the *Liberal People's Party*, online interview, 5 October 2020.

Interview 12: Erik Åsbrink, Social Democratic Minister for Finance, online interview, 30 September 2020.

# Gender Equal Parental Leave Use in Sweden

## The Success of the Reserved Months

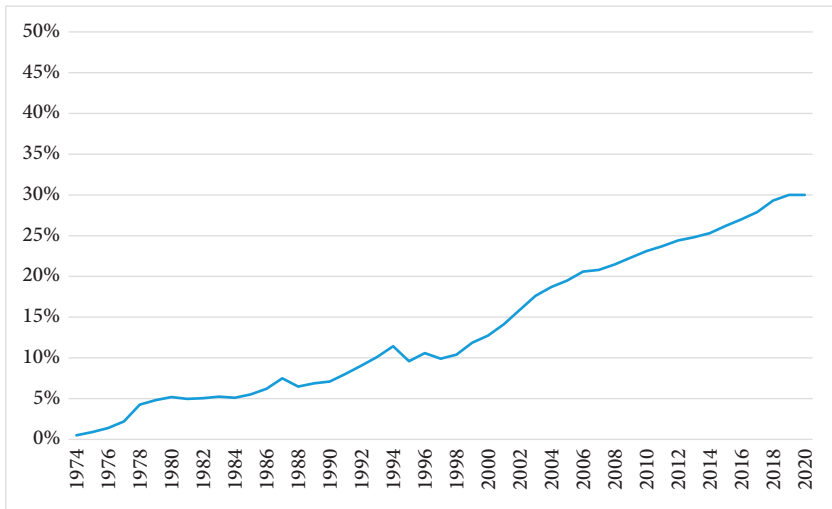
*Ann-Zofie Duvander and Sofie Cedstrand*

### A Policy Success?

Sweden is known for being the first country to introduce paid parental leave also available to fathers, but perhaps even more so for introducing reserved months, also known as ‘daddy months’ in colloquial language. From the beginning in 1974 the scheme had been available to both mothers and fathers but in 1995 a month of the leave was reserved to fathers (and mothers) and could not be used by the other parent. Even if often referred to as being a daddy month, the reform was in fact designed to be gender neutral in reserving a month to each parent, regardless of their gender. We will in the text refer to reserved months instead of daddy months. Such a reservation of time had been debated for two decades and when introduced it rapidly induced a majority of fathers to start to actually take up parental leave. Since the introduction of the first reserved month, two other months have been reserved and fathers’ share of parental leave is steadily increasing over time.

The introduction of the Swedish parental leave in 1974 can be described as a paradigm shift from family policy supporting a traditional breadwinner model to supporting an earner–carer model (Ferrarini and Duvander 2010). Sweden becoming the first country in the world to move from maternity leave to parental leave (Cedstrand 2011) also entailed an institutional change. The main dimension that is of interest in this chapter is that the six months’ paid parental leave became available to the parents to share as they saw fit. Fathers thus had the same access to parental leave as mothers and maternal leave with pay was abolished at the same reform. In a context where ideas of gender equality gained importance, and where mothers were in demand on the labour market, it was possible to introduce a parental leave that was equally available to fathers and mothers.

At the time it was debated whether to go even further and individualize the leave so that part of the leave, or even in some proposals half the leave, should be reserved for each parent (Cedstrand 2011). However, such reforms were deemed too radical in the 1970s, and indeed in most families the mother took the whole parental leave in the years to come. Fathers initially only used around 1 per cent of the total amount of parental leave days every year (Figure 13.1).



**Fig. 13.1** Fathers' share of all parental leave days used in a year

Source: Swedish Social Insurance Agency, official statistics, own compilation from numbers at [forsakringskassan.se](https://forsakringskassan.se).

But the idea of getting fathers more involved in the childcare by using more of the parental leave remained important in the political debate during the years to come. The discourse of gender equality also changed focus over time, with changing arguments and changing context with changing needs. While gender equality in the 1970s was largely focused on women's chance to participate in the labour market, over time gender equality was framed as giving men a chance, or an imperative, to participate in childcare (Klinth 2002).

Twenty years after the introduction of the parental leave, fathers' use of parental leave had increased somewhat, but not enough to be close to gender equal use. In response, a reform in the parental leave was introduced, the so-called 'reserved month' in 1995 (in Swedish *pappamånad* or *reserverad månad*), which is the focus of this chapter. By reserving one month to each parent, of the then fifteen-month leave, the reform's primary aim was to make fathers use the leave to a greater extent. The long-term aim was a more gender equal sharing of paid and unpaid work (Proposition 1993/94: 147).

The reserved months reform has been widely viewed as a success both by researchers and policymakers (see for example Duvander and Johansson 2012 and SOU 2017). It changed both expectations and fathers' behaviour to be involved in childcare from an early age of the child, and it is a policy that has endured and developed into today's three reserved months. We go on to examine the dimensions and degree of this success drawing on the PPPE assessment framework in this volume.



## Programmatic success

The reform, which was rooted in a long-standing discourse of the importance of gender equality, has led to a strong increase in fathers' use of parental leave. There were clear expectations of what reserved months would lead to, that is, fathers' increased participation in childcare and mothers' stronger position in the labour market. These goals would, however, only be reached if fathers actually started using the parental leave. Studies about other countries that have introduced similar policies suggest that such changes in behaviour are not self-evident, and vary in strength (see, for example, Germany, Slovakia and Estonia, but also Iceland, Norway and Finland in [Koslowski et al. 2020](#), as well as earlier annual reports).

In Sweden the reform led to a direct, marked, and robust change in behaviour ([Duvander and Johansson 2012](#)). The share of fathers using the leave went from approximately 40 per cent to almost 80 per cent when comparing children born on different sides of New Year's Eve of 1994. Also, fathers' share of the leave has continued to increase and today (figures from 2016) almost 20 per cent of all parents share the leave more or less equally ([Försäkringskassan 2019a](#)). While the change in use of parental leave is impressive, the secondary goals of gender equality in the homes and on the labour market are perhaps harder to measure and evaluate. When asking fathers who have used the parental leave they claim to have become more oriented towards their children, and also that they take a fairer share of childcare related domestic tasks ([Almqvist and Duvander 2014](#); [Duvander et al. 2015](#); [Försäkringskassan 2013b](#); [SOU 2017](#): 101). Such studies, however, will have difficulties with adjusting for selection bias where perhaps the most gender equally oriented fathers are also the ones who decide to use the leave.

Programmatic success is at best partial when considering the reform's impact in the broader context of gender equality in the labour market and in the home. Gendered arenas in childcare continue to linger and many mothers still remain primarily responsible for childcare and domestic tasks (for example, [Duvander et al. 2015](#) and [Nylin et al. 2021](#)). Also, the reserved months do not seem to have led to major changes in division of the temporary parental benefit used to look after a sick child (in Swedish VAB or tillfällig föräldrapenning) between the mother and the father. Only among parental couples with low income a somewhat more equal division of care for sick children after the reform was seen ([Duvander and Johansson 2019](#)).

Likewise, though gender equality on the labour market may be measured in many ways it is far from clear that major improvements in women's positions have been accomplished. For instance, [Karimi et al \(2012\)](#) find that women's labour supply has not markedly changed by the reserved month, implying that women are staying home as long as before the reserved month was introduced, but without paid benefits. And even if men's incomes dip after their becoming fathers, this is, in contrast to women, a temporary dip with fewer consequences over the

coming years (Nylin et al. 2021). When investigating the mother's share of household income over time, only slight increases in income equality have occurred over the last three decades, mostly in couples where the woman is highly educated and the man not. The gender wage gap and the gendered structure of both education and occupations have remained remarkably tenacious (Halldén and Härkönen 2015).

Another complication with the reform is that it highlights the insider and outsider dilemma of the social insurance, where it is the fathers in employment who have started to use the leave, while fathers with no (or low) earnings or no (or unstable) employment tend to do so to a much lesser extent. This group seems also not to be affected by the further two months that have been reserved later (in 2002 and 2016).

It can be argued that the reforms are mainly beneficial to insiders, that is, men with employment and income and mostly attitudes that are already making them interested in using the leave. Not only does the policy exclude other fathers from an important benefit, but this has consequences for children's time with their parents. It is found that in cases the father does not use parental leave children start preschool earlier (Viklund and Duvander 2017). It thus reduces the time these children may get with their parents before preschool starts. In addition, the problem of parents' time availability for their children is obviously increasing with increasing number of reserved months in the cases where only one parent is taking childcare responsibility as long as the leave length is not increasing. With the current three reserved months a care gap is created as public childcare is only guaranteed for children from the age of 1.

Nevertheless, even with emerging problems in the parental leave and its limited impact on wider aspects of gender equality, the reform should be seen as a programmatic success, primarily because the connection between the goal of gender equality and parental-leave policy is hardly ever over time challenged, and because fathers' use of parental leave has changed so dramatically.

### Process success

Whether the reform process that led to the reserved months' provision can be labelled a success is perhaps less obvious. How to best reach gender equal use of parental leave and how and whether gender equal parental leave use leads to gender equality in a broader sense are deeply political questions. Sweden has been known for having high female labour force participation and relatively high male participation in childcare through parental leave, but what have been the drivers and what is the best way to actually achieve gender equality is constantly debated.

The reserved months reform was introduced after earlier efforts at persuasion of fathers to take leave produced only very gradual change: two decades

worth of information provision and campaigns had made only slight difference in the uptake of parental leave (Cedstrand 2011; Klinth 2002). At the same time, a reserved months reform had been in discussion ever since the introduction of parental leave. A number of governmental commissions had laid the groundwork and had prepared the public and the political system for this option. But once it did take shape, it did so mainly within the Ministry of Social Affairs. Stakeholders outside the government agencies were not the strongest or the dominant voices for it at the time.

The reform of the first reserved month did not include any large technical challenges, any difficult evaluations of who was eligible, making it easy to implement for the authorities. The National Social Insurance Board which was responsible for handling the change in legislation and the then independent social insurance agencies (Försäkringskassor) which were to administer it on the ground, did so without major problems. Also, though the reform made the parental leave policy more expensive, this is hardly ever mentioned as a problem.

Overall, we assess the reform to be a success also with regard to process, mainly as it was debated for such a long time before it was implemented, and as it did not require major changes in administration of the parental leave.

### Political success

The reform certainly conferred political legitimacy on its political architects: the responsible Liberal Minister of Social Affairs Bengt Westerberg and his State Secretary Maria Arnholm were and still are, widely described as its political beneficiaries. Bengt Westerberg even got elected ‘woman of the year’ for his leadership in the introduction of the reserved months (Klinth 2002). It was a success also in that the reform remained in place when government changed hands from Liberal–Conservative to Social Democratic in the year after its introduction. Moreover, the reserved months period has been extended twice since its introduction (Cedstrand 2011). It is also one of Sweden’s major policy exports in that many countries have taken on similar policies (Windwehr et al. 2021). Lingering opposition to reserving time for each parent in the parental leave is weak and located mainly at the socially conservative part of the political spectrum.

### Endurance

In terms of endurance over time, at least the first month seems to have been consolidated and has since expanded further with further months, as it seems accompanied by general acceptance of the idea that reforms in the family policy may further gender equality both in the homes and in the labour markets (SOU

2005, 2017). Not only are additional reserved months being tested as reforms to promote gender equality in the uptake of parental leave, in addition, double days, age limits for when to use the leave, gender equality bonus and changed replacement levels have been introduced, mostly argued for as leading to more gender equality (Inspektionen för socialförsäkringen 2013; Försäkringskassan 2013a; Försäkringskassan 2013b; Försäkringskassan 2019a).

The question of how parents share the parental leave has been on the agenda throughout the decades and fathers' share of the leave increased only slowly up until the early 1990s. The major argument against reserved time for each parent is that it intervenes with decisions that should be made in the family and that the state should leave private matters to private decision making. At the time of the reform there was plenty of public and political debate. Concerns were aired about how this reform constituted an interference with family life and the freedom to organize the division of care and economic responsibility between parents (Cedstrand 2011; Klinth 2002). By contrast, the debate regarding the subsequent extensions to a second and a third month was less intense. Positions had shifted: it is now seen as less intrusive that the state uses reserved months to achieve overarching goals of gender equality.

Since the introduction of the reserved months, the question of gender-equal leave division has continued to be on the agenda and often seen as a key factor for gender equality, both in the homes and on the labour market. The opposition to the reserved months has, as said, not gained major support but rather diminished over time. The opposition has also in part changed positions in that it opposes not primarily the first reserved months, but to divide the leave in three equal parts where one part is reserved to each parent and one shared as parents choose.

How did Sweden get to this point? We will review the history that led up to the reform of the reserved months and also consider how the reform led to further change before ending with what we feel confident to conclude from the development around the reserved months.

## The Road to Reform

### Women's paid work and parental leave

Ever since the gender-neutral parental leave was launched in 1974 the question of how to increase fathers' use of the leave has been on the political agenda (Cedstrand 2011). The parental leave system was introduced in a context of growing concern for gender equality, from the 1960s and onwards, and mainly defined by enhancing women's chances to work (Cedstrand 2011; Klinth 2002). In addition to the parental leave, other reforms and investments also aimed at making women's work possible. Important examples are the introduction of individual taxation of spouses in 1971 (Lundqvist 2017), and the expansion of public childcare

from the 1970s and onwards (Nyberg 2000). These were all part of a push towards an active labour-market policy to facilitate women's entry into the labour market (Lundqvist 2017).

Even if the focus was on women's right to work, men's participation in childcare was mentioned in relation to the introduction of the parental leave. This was seen as a means to break with the traditional gender roles and create new roles with shared responsibility. Reserved time for each parent was discussed at the time, but it was seen as too radical by most of the more powerful actors such as the union's central organizations, the employers' organization and not at least the Minister of Finance, Gunnar Sträng. To introduce a gender-neutral policy that was available to both parents was sufficiently radical at the time (Cedstrand 2011; Klinth 2002).

### Shifting discourses

If the prime focus had been on women's paid work when the parental leave scheme was introduced, once this was (more or less) accomplished, the debate began to shift towards men's roles as caregivers. Since the 1970s there has been an ongoing debate on how to increase fathers' participation in leave use. One important argument for the parental leave, but also for later demands on reserved time, was that if leave were shared and fathers also were seen as caregivers, mothers would run less risk of being considered a secondary workforce. If only mothers took parental leave it would be assumed that they also took main responsibility over home and children, and thereby would be less interested in (or able) to invest in a career. Another argument was that not only women should expand their gender roles to a combination of bread- and caregiving, also men should expand their roles (Cedstrand 2011; Klinth 2002).

As early as 1975, a proposal for one reserved month was put forth by the women's organization in the Social Democratic Party. A similar proposal was put forward the same year by a government (Social Democratic) appointed commission, led by the former minister Camilla Odhnoff. She was also the minister behind the gender-neutral parental leave. But the central leaders in the Social Democratic party, among them Prime Minister Olof Palme, Minister of Finance, Gunnar Sträng and Minister of Family Affairs, Sven Aspling, chose not to proceed with such a proposal. Such a proposition also did not have the support of the main employers' organization and the central labour union organization (Cedstrand 2011; Klinth 2002; Karlsson 1996).

### Information as a political tool

In 1976 the Social Democrats, after a long period of governing, lost power to a Liberal-Conservative government. In the coming years the question of

encouraging fathers' parental leave was mainly dealt with through information campaigns. Sometimes spectacular advertisements and other ways to inform were seen by politicians in different governments as more feasible ways to increase fathers' leave, as 'force' through reserved time was considered an intrusion in the private sphere. The efficiency of these campaigns is hard to evaluate, fathers' share of the leave increased very slowly at the time, but it did increase (see Figure 13.1).

During the two decades from the introduction of parental leave to the reserved month reform, the main and dominating explanations of the causes to continued gender inequality changed, and so did the proposed remedies for it. While in the 1970s the focus was on expanding gender roles, especially in women's paid work but partly also on men's caregiving, the first three-quarters of the 1980s had a strong focus on achieving attitude change, in particular towards men's caregiving. These changes in attitudes were thought to be achieved through information campaigns designed to stress the advantages of a more equitable division of roles (Klinth 2002).

### Recurrent proposals for reserved time

Periodically during the 1980s the women's organizations of both the Social Democratic and the Liberal Party raised the question of reserving time in the parental leave for fathers a number of times, and on some occasions received support from both academic and labour unions. When later in opposition, even Olof Palme, who in office didn't proceed with a proposition of reserved time, signed a similar proposal of reserved time to the parliament (Cedstrand 2011). To increase fathers' share of the parental leave became an important goal in the politics for gender equality, but how to reach this goal was not laid out with any concrete actions (Klinth 2002).

However, the official position of the Social Democratic Party, in government during the latter half of the 1980s, was that the use and sharing of the parental leave was to be considered a private concern, to be decided on within the family. In fact, at this time gender equality at large was seen by the Social Democratic Party as a mainly private matter. During the 1980s this was also the official standpoint of the Liberal Party (Klinth 2002; Cedstrand 2011). There was also a resurgent focus on children and the need of parents to spend time with them and care for them. While in 1974 parental leave had been introduced as a reform to better position women in the labour force and increase men's caregiving, it gradually became viewed as a political instrument to create improved conditions for children. Already a few years after 1974 it was argued from actors on both the political right and left that the parental leave, except being a possibility for women to combine labour work and children, also was important to create opportunities for children to spend time with their parents (read mother) (Klinth 2002; Cedstrand 2011). This

should also be seen in a context of heightening discussion about potential negative aspects of the dual earner model. Public childcare was criticized: it was argued that children needed more time with their parents and proposals to remedy this made it onto the political agenda. In this context, the questions of men's responsibility in the caregiving of children and the need of men using the parental leave to a larger extent became even more topical (Klinth 2002).

### Changing positions

In the late 1980s the thrust of the debate changed once again. The discourse of power was reintroduced to the political arena. Power regarding gender equality was interpreted to mean that more than information was needed to make a change. It was argued that men have privileges they will not let go of, especially in the labour market. Government commissions and other analyses abandoned the idea of reciprocity and instead put forth a focus on women's rights and interest to gain equal access to the resources in society (Klinth 2002; Cedstrand 2011).

Both the Liberal and the Social Democratic Party reconsidered their positions. At the end of the 1980s and in the beginning of the 1990s the Social Democratic government put forth two different propositions for gender equality politics where they highlighted the conflict of interest between men and women. An equal sharing of caregiving of children was now seen as essential to reach gender equality and the use of the parental leave was an important political instrument in this matter. In the propositions the Social Democratic government also established goals for a more equal use of the parental leave, but there were no suggestions of quotas, reserved months or other concrete changes (Cedstrand 2011; Klinth 2002). It was in this context, with a changed political debate and discourse concerning the question of gender relations and gender equality, that the proposition of the reserved month, after 20 years of ongoing debate, was put forth by a Liberal–Conservative government in 1993 and realized in 1994. Even if it was not referred to often in the Swedish debate at the time it should be mentioned that Norway decided on a similar daddy quota (fedrekvote) in the year 1993 and was thus earlier than Sweden (Windwehr et al. 2021).

### An expanding scheme

The reserved month also needs to be understood in the context of the development of parental leave following its 1974 original enactment. As is shown in Table 13.1, between 1974 and the beginning of the 1990s the parental leave was gradually extended from its original six months to almost 15 months in 1989. Twelve of these 15 months were compensated with 90 per cent of the salary, and the three

**Table 13.1** The development of the parental leave between 1974 and 1995 regarding the aspects of length and level of compensation

	Length (months)	Level of compensa- tion	Remark
1974	6	90% of the salary.	
1975	7	90% of the salary.	
1978	9	90% of the salary in 8 months and a flat rate in 1 month.	
1980	10	90% of the salary in 8 months and a flat rate in 2 months.	
1986	12	90% of the salary in 10 months and a flat rate in 2 months.	
1989	15	90% of the salary in 12 months and a flat rate in 3 months.	
1995	15	90% of the salary in 12 months and a flat rate in 3 months.	One month reserved for the mother and one for the father, of the months with replacement with 90% of the salary.

Source: [Cedstrand 2011](#)

remaining months were reimbursed with a flat rate (see Table 13.2). In addition, since the introduction of the parental leave, it had been possible for parents to combine paid parental leave with unpaid leave. This made it feasible for those with good economic conditions to extend their time home with their children and away from the labour market ([Cedstrand 2011](#)). The right to use leave had become highly flexible, so parents could use it whenever during the child's preschool years.

The rather extensive leave scheme also made the question of reserved months less politically delicate. Even if one month was reserved, one parent (most often, the mother) still could stay at home with the child for over one year. As the parental leave scheme was prolonged, concerns about women's absence from the labour market shifted. In 1974 a long parental leave had been perceived to be a risk to women's positions, certainly by the Social Democrats and Liberals. During the 1980s this aspect was no longer part of the political debate. But when in the late 1980s parental leave was extended to over a year, with the option to prolong it even more with unpaid leave, it became possible to introduce the reserved month reform without compromising with mothers' time at home to any large extent (see Table 13.1). With the statistics showing that men didn't



increase their uptake of parental leave the issue rose on the political agenda once again, and to increase men's caregiving was now seen as a necessary condition to strengthen women's position in the labour market (Cedstrand 2011; Klinth 2002).

The chief purpose of the Swedish parental leave is to give women and men possibilities to combine family life and paid work. Together with a well-developed public childcare the parental leave is put forth as the explanation as to why Sweden, in an international comparison, has a very high female labour-force participation (Karimi et al. 2012; Oláh and Bernhardt 2008; Lundqvist 2017). But at the same time, there was a heightened sensitivity to the risks with a long parental leave only used by one parent. These included deteriorated salary and career development, low pension and thus poorer financial independence for the party that uses the lion's share of the leave—women.

### Design and Choice

In 1991 the Social Democrats lost power and were replaced by a Liberal-Conservative coalition government. Bengt Westerberg from the Liberal Party was appointed Minister of Social Affairs with responsibility for the parental leave. When Westerberg took office, he met a relatively new political debate concerning gender equality. At the time gender equality was reinterpreted as a function of power distribution between men and women, leading to the conclusion that political action was needed to change these power relations. The necessity of quotas was proclaimed loudly, and hotly debated in several political arenas, especially when it came to women's representation in senior positions in politics and businesses (Klinth 2002). The question of quotas and reserved time in the parental leave was back on the agenda as part of these debates.

The former Minister of Social Affairs, the Social Democrat Margot Wallström, had before the Social Democrats lost power appointed a commission and an additional working group within the Ministry of Social Affairs to come up with proposals on how to improve the position of women in the labour market. When taking over the role, Westerberg appointed an additional working group on how to increase fathers' use of parental leave. Throughout 1993, these three groups came up with alternative proposals that included different amounts of time being reserved for the father or for each of the parents. It was now no longer seen as an alternative to wait for fathers to change behaviour without reforms in the leave regulations (Cedstrand 2011; Klinth 2002).

With a number of suggestions on the table, Westerberg in 1994 proposed one reserved month of parental leave to each parent. The argument for the proposition was to increase gender equality within the family and in society at large. Both attitudes on gendered parenting and employers' gendered expectations were,

according to the proposition, causing the need for such action. The proposal also argued that the child had a right to both parents and that research was indicating beneficial outcomes from close contacts between father and child. The Liberal minister's proposition built on ideas that men must be prepared to share privileges for gender equality to be reached and that family life was no longer just a private issue but a political and public question (Cedstrand 2011; Klinth 2002). Make note that even if the gendered power relations are used in the argument for the reform, the reform is completely gender neutral. It is as much a daddy quota as a mummy quota.

The parliamentary debate gave the impression of consensus around the proposition. The Left Party was positive, even if they wanted to go further and reserve three months, the Social Democrats were content with the suggestion, and the Conservative parties were mainly passive in the debate. However, within the Liberal–Conservative government, all parties except the Liberals were opponents of the reform. These parties, the Centre Party, Christian Democrats, and Conservative Party, wanted families themselves to be able to decide how to use the parental leave (Cedstrand 2011; Klinth 2002). But the reserved months can in some respects be seen as a part of a compromise between the coalition parties: while the Liberals got the reserved month, the Conservative parties, foremost the Christian Democrats, got home care allowance (Duvander and Ellingsaeter 2016). The home care allowance was to guarantee the free choice of parents to stay home longer with the child and could be used until the child turned 3 years old. The allowance was set at a low rate of approximately 300 euro a month and could not be combined with other social benefits, in reality assuming another relatively high income in the household. However, in 1995, shortly after the parliament voted for the reserved month, there was a change of government and the new Social Democratic government immediately abolished the home care allowance while it kept the reserved month. The home care allowance was seen as a housewife trap and to go against the fundamental idea that all citizens should work, including all parents.

The history leading up to the reform of the reserved month can be characterized as going from women expanding their roles and responsibilities but also their rights in society, to men being encouraged to do the same. Men's responsibilities were to be expanded and they needed a push for this to happen. It was assumed that initiating such change in men's roles would lead to further changes in areas such as household work and childcare, resulting in better relations with children, less discrimination, and more gender equality on the labour market.

Opposition against the new reform did not rail on much against its intended outcomes as against the proposed means to get there. The Conservative opposition parties duly criticized intrusion of the state in the private sphere (Cedstrand 2011; Klinth 2002). But there was also a degree of resistance towards the reform in parts of the Social Democratic Party. These critics focused more on women's right to a long leave, as they often have physically hard jobs to go back to, for example

within the care sector. One might make a parallel back to the 1960s where some of the early resistance to the women's right to work was among trade and labour unions where the novel situation of at last being able to afford to be one-earner families was challenged (Lundqvist 2017). Similarly, women from the working class in the 1990s had nothing to gain from returning to work early as their wage careers in public-sector care jobs were flat anyhow, and as they needed the break before returning to double work in the home and on the labour market. While Conservative critics wanted to keep the possibility for a parent (read 'mother') to stay home to take care of the child during a longer period, working-class voices claimed that mothers needed the entire leave period for themselves. Both camps of opponents also referred to the risk that children in families where the father would not use his reserved month would have to start preschool earlier than other children (Cedstrand 2011; Klinth 2002).

### Adapting the Scheme

Time has certainly not stood still since the first reserved month was introduced and even if there are some reforms that have developed in different directions and which have been part of political compromises, reforms to encourage more sharing of leave have been dominating since 1994. It is important to remember that the first reserved month was introduced in the middle of a severe economic crisis, fertility was dramatically falling, albeit from relatively high levels, and unemployment was increasing. Cuts in government costs were also made in many areas. The benefit level in the parental leave was reduced from 90 per cent of earlier income to 80 at the time and for a short while to 75 per cent. The reserved months were exempt from these reductions in benefit in an attempt to point out the importance of both parents sharing the leave. But the ceiling of the benefit also lagged behind, leaving especially fathers (who more often earned above the ceiling) with less than full replacement. In the other end, the flat rate for those not eligible for income-related benefits, remained on a very low level of 60 SEK a day for the whole 1990s.

In 1998 the benefit level of all months in the parental leave was increased to 80 per cent again (Table 13.2) and in 2002 the second reserved month was introduced by a Social Democratic government. This month came together with an extension of the leave from 15 months to 16 months and meant that no parents had to lose days, thus not impacting on the parent who wanted to take as long a leave as before (Duvander and Johansson 2012). The second reserved month was introduced by a Social Democratic government but gained much less attention and debate than the first reserved month and had a lesser impact on fathers' leave use than the very first push had had (Duvander and Johansson 2012).

Equal sharing of leave was up on the political agenda numerous times during the 2000s and the Social Democratic government appointed a new commission to

look into how to more efficiently reach more equal sharing of the leave. In 2005 the commission suggested a 5+5+5 leave where one part was reserved to each parent and one third to be shared as the parents preferred (SOU 2005: 73). The debate at the time was heated (see, for example, Lorentzi 2004). The Left Party advocated for an individualized leave where half was reserved to each parent without any possibility to transfer to the other parent. The workers' central labour union organization, LO, wanted the 5+5+5 solution, so did the Social Democratic Women's organization (Cedstrand 2011). At the time, Norway and Iceland had introduced more radical reforms of the leave system and especially the success of the Icelandic system with 3+3+3 months was referred to.

But other voices, primarily within the Conservative Party block, were against such development and instead proposed the novel step of a gender equality bonus: providing extra payments to parents who used the leave more equally than one parent using just his/her reserved months. When implemented, that scheme was initially quite complicated comprising of an application and payments at a later stage together with tax returns, sometimes almost a year later. Regulations were later simplified, but the bonus did not lead to more sharing, perhaps mainly as it was part of an increasingly complicated system where the actual benefits were becoming hard to calculate (Inspektionen för socialförsäkringen 2013: 17). The ceiling in the benefit affected many parents, but in addition to the bonus also tax reductions for the working parent and additional payments by collective agreements from the employer were added to the equation. The scheme became complicated, and reports showed that many parents had poor knowledge of how the leave functioned or which rights they had (Försäkringskassan 2014). It was, for instance, found that mothers' knowledge of the regulations was far better than fathers' knowledge.

Moreover, the gender equality bonus itself was a compromise and co-introduced with a new home care allowance on the municipal level. The municipalities that chose to do so—mainly the ones with conservative governments—could introduce a home care allowance for children who did not attend preschool. The allowance was paid at a low level as before and the reform should also be seen in the light of further investments in preschools at the time. In addition to investments in the quality of preschool, a guarantee of a place and a maximum fee was in place in the beginning of the 2000s (Viklund and Duvander 2017). While preschool is universally used from an early age, neither the gender equality bonus nor the home care allowance was used to any large extent (Duvander and Johansson 2012; Duvander and Ellingsaeter 2016).

Another reform that affected the impact of the parental leave scheme was the reduction of its benefit level from 80 to 77.6 per cent in 2006 as a measure to meet budget restrictions. However, at the same time the ceiling in the parental leave was raised and an argument for this was that it would encourage high-earning fathers to use the leave (Duvander et al. 2015). However, it should here be mentioned that the collective agreements that gave additional payments during parental leave

more and more often made the ceiling in benefit irrelevant. Increasing shares of employees were covered by such agreements, and a common agreement was to be covered for income loss over the ceiling. Nevertheless, typical male sectors and some parts of the private sectors were late to introduce such agreements.

Among other reforms one should especially mention the introduction of the double days which made it possible for the two parents to use leave at the same time for one month. The aim was to facilitate the transition from care of one parent to another. It is found that this reform made fathers use the leave earlier in the child's life (*Inspektionen för socialförsäkringen 2018:13*). In 2016 a third reserved month was introduced again by a Social Democratic government and with the argument to further increase gender equality. At this time a large share of the fathers was already using more than a third of the leave, making the reform more an adjustment than an encouragement of more sharing for many fathers. However, it seemed to have had some effect on aggregate numbers of fathers' leave use (*Försäkringskassan 2019a*).

All in all, the reforms of the parental leave have strengthened the idea of gender-equal parenthood. The three reserved months are more or less accepted by most of the political parties, although some parties in the parliament would prefer to abolish them. Also, there is no strong well-known resistance to the reserved months from stakeholders outside the parliamentary arena today.

### Fathers' uptake of leave

It is clear that both the first and the second month affected fathers' and mothers' parental leave use. Comparing the last fathers to not have a reserved month (fathers of December children in 1994) with the first fathers to have reserved time (fathers of January children in 1995), the average number of used days the first 24 months increased from 25 to 35 days. The same numbers for the second months are 40 to 47 days. It seems that the first month made most fathers use the leave and the groups not using the leave before the reform were most affected. Fathers with low income and low education started to use the leave at the time while fathers with high education and high income were less affected as they already more often used the leave. The second month seemed to be less successful in making fathers with low income and education use more leave. Instead, it was the middle group of secondary education and middle-high income earners who started to use more of the leave. The high end of highly educated fathers with high income had already increased their use to approximately two months and were less affected. While the first month made most fathers use the leave and one may talk about a norm of one month, the second month actually increased differences in length of leave between different categories of fathers. It seems that this polarization effect has continued with one group of fathers increasing their leave at the same time as the group of fathers not using any leave is not decreasing more than marginally.

**Table 13.2** The development of the parental leave between 1995 and 2019 in the aspects of length and level of compensation

	Length (months)	Level of compensation	Remark
1995	15	90% of the salary in 12 months and a flat rate in 3 months.	One month reserved for the mother and one for the father, of the months with replacement with 90% of the salary.
1996	15	85% of the salary during the reserved months. 75% of the salary in 10 months and a flat rate in 3 months.	
1997	15	75% of the salary in 12 months and a flat rate in 3 months.	
1998	15	80% of the salary in 12 months and a flat rate in 3 months.	
2002	16	80% of the salary in 13 months and a flat rate in 3 months. Flat rate is raised in steps from 60 SEK/day to 120, then 150, 180, 225 and present day, 250	Two months reserved for the mother and two for the father (of the months with replacement with 80% of the salary).
2007	16	80% of the salary in 13 months and a flat rate in 3 months.	Introduction of a so-called gender equality bonus. An economic compensation to parents sharing the parental leave about equal.
2012	16	80% of the salary in 13 months and a flat rate in 3 months.	Parents gets the possibility to be home together during 30 days with parental leave, the so-called 'double days'.
2016	16	80% of the salary in 13 months and a flat rate in 3 months.	Three months reserved for the mother and three for the father (of the months with replacement with 80% of the salary).
2017	16	80% of the salary in 13 months and a flat rate in 3 months.	The gender equality bonus is abolished.

Source: [Försäkringskassan 2019b](#)

The average number of days has been increasing also between reforms and certainly after the first wave of reforms. For children born in 2018 fathers took on average 74 days during the first 24 months. Another measure of the gender equal use of parental leave is the share of all parental couples who share the leave somewhere between 40 to 60 per cent of the days to each parent. This number had doubled since 2005 from 10 per cent of all parents to almost 20 per cent for children born in 2018 (see [forsakringskassan.se](http://forsakringskassan.se)).

These measures indicate a steady trend of increasing gender equality in the parental leave, which surely may be at least partly the consequences of the first reform of reserved months. However, the group of non-using fathers is still substantial. This group is only slowly declining and the last time it was measured, in 2012, 27 per cent of all fathers did not use a single day of the parental leave during the child's first two years ([Försäkringskassan 2012](#)).

It should be noted that the reserved months are not applicable for those parents who do not have an income or have a very low income. These parents receive a low flat rate benefit instead of a benefit in relation to their income. Since 2002 the flat rate benefit has increased in steps from 60 SEK a day to today's 250 SEK a day. Among low-income parents the incentive to share leave through the reserved months is not applicable, which may be a contributing factor in that these parents share leave to a lesser extent. Since the reserved months are not applicable for parents without incomes before using the leave, it is in this group possible for one parent to use the whole leave.

In addition, the flat rate of 250 SEK a day comes close to the benefit of a low-income parent receiving income-related benefits, it points to a new goal conflict in the parental leave; to encourage and enable labour-market work in combination with parenthood, but also to ensure an acceptable economic standard for families with small children.

It has been stated (for example in [SOU 2017: 101](#)) that gender equality is as important for the parental group with low income, but as late as 2018 the parliament voted against a proposition from the Social Democratic–Green Party government to include this group within the legislation of reserved months (Socialförsäkringsutskottets betänkande 2018/19: SfU11). The group of parents using the parental leave on the low flat rate is about 1/10 of all women and 1/20 of all men, but severely over-represented among foreign-born parents.

### **Conclusion: A New Pathway to Achieve Gender Equality**

The conclusion is in our, and most social scientists' view, that the reserved month changed the scene and allowed the idea of sharing childcare duties between parents during the child's first years to become institutionalized in Swedish society. One may even talk about a paradigm shift. Over time at least the first

reserved month seems to have become *consolidated* and the expansion of the reserved period may be taken as an indicator of the core idea's *endurance*. The question of how and why this was possible is more difficult to answer, but the long tradition of raising the question and the central position of the parental leave in the gender equality discourse in Sweden are important keys here. Perhaps the reserved month and the increased sharing of parental leave were unavoidable outcomes of the development in a country where gender equality in general has been important on the political agenda.

Even if the reserved months are hardly questioned and fathers' shared childcare is more or less never questioned, it cannot be concluded that the situation would continue to develop toward gender equal parental leave if the reserved months were abolished. In Denmark, fathers' use declined when the quota was abolished (Borchorst 2005). In Norway, fathers' share of the leave declined when the reserved time for fathers was reduced (NAV 2020). In Sweden low-income parents are not covered by the reserved months and these fathers use the leave to the lowest degree. The conservative parties in the Swedish parliament either want to remove the reserved months altogether (The Swedish Democrats and the Christian Democrats) or they articulate serious doubts about them (the Conservatives and the Centre Party). There is also considerable variation in opinion within the parties on both left and right sides in the parliament. Even though there is no active debate against the reserved months, our judgement is that it is still possible that the development towards shared parental leave may be reversed or stagnate.

Still, we find reason to end this chapter on a positive note regarding what has been accomplished by the reforms in the parental leave system. Presently there is an EU directive (2019/1158) that aims for all member states to establish a minimum four months of leave, with two months reserved for each parent. The new regulation is to be in place in 2024 and obviously would herald major changes to many EU member states in both legislation as well as behaviour. The trend that was set in motion for Sweden's part in the 1990s may now start to develop on a more major scale in other European countries. We are not claiming that the new directive is directly inspired only by the reserved month in Sweden, but Sweden's policy is certainly widely considered as one of the forerunners of good practices regarding gender equal use of parental leave.

### Questions for discussion

1. The first reserved month has led to increased parental leave use among fathers and is therefore seen as a success. But can a policy be a success even if the behaviour does not change?
2. Regarding the development of the reserved month, many individual actors played an important role, but would the change to more equal leave use have



taken place even if those actors were not there? In other words, have we started a path towards more gender equal sharing of childcare that is going to continue regardless of specific policies?

3. The first reserved month in Sweden is seen as a success, but what implications does this evaluation have for 1) other countries, 2) introduction of further months in Sweden?
4. How do we tackle the negative aspects of the reserved months, that is, that children to parents who are not sharing (i.e. the father is not using leave) will get less time with their parents? This is an important question as it affects an already vulnerable group.

### Links to online resources

[www.leavenetwork.org](http://www.leavenetwork.org)

Annual updates of parental leave policy legislation and use in almost 50 countries, among them all EU members:

[www.forsakringskassan.se](http://www.forsakringskassan.se)

Swedish Social Insurance Agency published statistics on parental leave on their homepage and some statistics are collected annually in the publication Social Insurance in Figures. In 2014 there was a special theme on parental leave:

[www.scb.se](http://www.scb.se)

Also, Statistics Sweden collects some statistics on parental leave but on a more aggregated level. Such aggregated data is also compared annually in the Nordic Council of Ministers:

[www.norden.org](http://www.norden.org)

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# Sweden's Policy of Neutrality

## Success Through Flexibility?

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### A Two-Hundred-Year Balancing Act

For over 200 years, there has been no war on Swedish soil. This unprecedented long period of peace coincides in time with the development of a policy of neutrality, up until the Swedish decision to apply for membership in NATO in 2022. According to a well-established narrative, Sweden's policy of neutrality meant that Sweden should stay non-aligned with the intent to declaring itself neutral in the event of war.<sup>1</sup> While Sweden has managed to stay out of war, Sweden has also have had to compromise with important principles in order to preserve the peace. The policy of neutrality has also often been situated in the tension between public declarations and secret collaboration. In this chapter, we add nuance to how this policy of neutrality was developed, and how it was implemented in flexible ways during changing circumstances. By doing so it is our aim to analyse in what ways the Swedish policy of neutrality can be considered to have been a success.

During the Cold War, the policy of neutrality made Swedish security policy predictable and from time to time gave it a credible position as an honest-broker mediator during various regional conflicts (Bjereld 1992). Nonetheless, centre-right politicians questioned the morality of the policy since Sweden refrained from outspoken criticism of the Soviet Union (Bjereld 1997). Even after the end of the Cold War Sweden refrained from joining military alliances and up until the decision in 2022 to apply for membership in NATO maintained a policy that has often been labelled 'post-neutral' in that it carried its basic stance into a new era (Möller and Bjereld 2015). As we will show, throughout its history the Swedish policy of neutrality has been based on a highly flexible interpretation of what it means to be neutral in terms of standpoints on the international stage. Sweden, especially after World War II, maintained a strict version of the policy in public, but was willing to

<sup>1</sup> A state can, according to the Hague convention from 1907, only be neutral in relation to a war (and should preferably issue a declaration of neutrality). However, the Swedish policy of neutrality also involved a strategy for peacetime, according to which Sweden should stay out of military alliances and pursue a policy that aimed at neutrality during war, at least as long Sweden was not attacked (Bjereld et al. 2008: 23–24).

compromise behind the scene in order to keep the policy in place and ultimately keep Sweden out of war, including courting defence cooperation with USA and NATO (cf. Dalsjö 2006; Harrisson 2017: 217–219; Holmström 2012).

The preconditions for Sweden's flexible approach towards its policy of neutrality have been in place at least since 1834, with declarations of neutrality formulated and interpreted in ways that would maximize Sweden's chances of staying out of conflicts. From the first steps during the first half of the 1800s the policy of neutrality was gradually institutionalized and remained in place up until 1995 and Swedish membership in the EU, but with ramifications for its security policy also after becoming a member of the EU. During this prolonged time the political conditions changed, external threats evolved, and Sweden established a representative democracy, but Sweden maintained its policy of neutrality in one form or another, with ramifications up until 2022.

### A Policy Success?

With the clear objective of staying out of great power conflicts and the observable reality that Sweden has indeed stayed out of war since 1814, it is tempting to assess its neutrality stance as a full-scale success story, possibly even the most complete and enduring policy success covered in this volume. But there are nuances and counternarratives to the story that must be taken into account. In order to more thoroughly assess the success of the Swedish policy of neutrality we follow the PPPE framework used throughout this volume, focusing on *programmatic* success in terms of purposeful and valued action; *process* success in terms of thoughtful and effective policy-making practices, *political* success in terms of an approach that generates many winners, firm support and reputational benefits; and *endurance* in terms of policy efficacy over time through learning and adaption (cf. Compton and 't Hart 2019).

#### Programmatic success

According to the standard narrative we started out from, the programmatic success of Sweden's neutrality is hard to question. During the first half of the 1800s Sweden transitioned from being a regional power often locked in war against its neighbours, to a new role as a small, neutral state staying out of war. This was a deliberate choice based on new foreign policy introduced by Jean Baptiste Bernadotte, later King Charles XIV John, although not a full-scale policy in modern terms. The benefits of this new foreign policy were easily detected, as Swedish boys and men were no longer slaughtered on the battlefields or at sea, and Swedish women were no longer left on their own to provide for their families. The absence

of war was indeed also a contributing factor in what would later become a great modernization of Sweden, a process resulting in Sweden becoming one of the wealthiest and most prosperous welfare states of Europe. One might even argue that Sweden's policy of neutrality contributed to improving Sweden's reputation as a small state, standing outside great power conflicts and later on as also being ready to act within the UN system on behalf of less empowered states. At the same time, one must admit that it is hard to tell how Sweden would have developed and if Sweden could have stayed out of war, with another kind of policy and without sticking to the policy of neutrality. We know that other neutral states have not always been spared from the horrors of war, both Denmark and Norway during World War II are examples of this. Still, we argue that in contrast to more or less all other European states that pursued other kinds of strategies, Sweden with its flexible interpretation of the policy of neutrality has managed to stay out of conflicts. A modest interpretation of the causality at play here would indicate that the policy of neutrality at least has been an important contributing factor to this success.

### Process success

Process success is harder to assess. One of the defining features of foreign and security policy is secrecy, that is that decisions are taken in small, closed settings. Therefore, it is hard for stakeholders to exercise influence, and it is even harder to evaluate if stakeholders did indeed exercise influence. One way out of this methodological challenge is to take the decision-making character of foreign and security policy, with decisions by small groups in closed settings, for granted. If we accept this, then we also accept that the number of actively engaged stakeholders has been limited. As we will see further on in the chapter, that even within these confines, during the initial phase when the preconditions for the policy of neutrality came into place, different views were involved, with parts of the elite calling for a policy of revanchism. Eventually, the policy of neutrality developed into an integrated part of Swedish foreign and security policy, with support within all major parties and agencies involved in outlining the policy of neutrality in different situations.

### Political success

Neutrality's political success can most easily be measured by public support for it, and the fact that no serious political opposition has been raised against it after World War II. At its inception during the reign of Charles XIV John, support was far from clear cut and later during the 1800s, Sweden still saw an outpouring of public sentiment in favour of supporting Denmark during the Second Schleswig war and England during the Crimean War. Still, public and political support for

the policy of neutrality grew stronger throughout the twentieth century, and during the Cold War the public was strongly in favour of the policy and strongly against membership in any military alliance (in reality the only option was NATO). The fact that the policy was seen as an integrated part of Swedish identity and as such impossible to publicly criticize by any political opposition, can be seen as the ultimate illustration of its political success.

### Endurance

Although its overall value proposition has been to maintain Sweden's autonomy by keeping it out of wars, the policy of neutrality has often been adapted to changing circumstances. For example, a more activist interpretation of the policy from the mid 1950s and onwards gave Sweden a reputation as an exceptional internationalist who used its independence and neutrality role to both criticize great powers and act as a credible mediator (Bjereld 1992, 1995; but see also Jerneck 1983, 2013; cf. Agius 2013; Schouenborg 2013). This role gave Sweden a favourable reputation, especially in the Global South. Another example of how the policy endured, despite changing realities and flexible interpretations are the secret preparations during the 1950s to accept help from NATO in the event of a full-scale war (Dalsjö 2006, 2014). Robert Dalsjö has argued that this 'lifeline' was lost during the latter part of the Cold War. Still, the Swedish decision makers for long saw NATO as a back-up option—and NATO encouraged this in order to secure its Eastern flank—in case the policy of neutrality was not sufficient. This has raised questions about the morality of the decision makers declaring their support for the policy of neutrality, as well as the efficiency of the policy of neutrality as such (Agrell 1991). Nevertheless, the policy of neutrality can be seen as a story of a flexible policy that over time has been adjusted to the harsh realities of international politics. Still, or exactly because of its flexibility, it has contributed to keeping Sweden out of war for more than 200 years. As we have argued here it is possible to argue for the success of the policy of neutrality in terms of an enduring programmatic process and political success, but still with high moral costs that at time have also led to reputational costs when not taking a clear position on moral issues.

### The Birth of Swedish Neutrality

We start out by setting the historical stage, by analyzing the early phase from 1810 to the 1850s that led up to what we refer to as the institutionalized policy of neutrality. The preconditions for the Swedish policy of neutrality started to develop with Crown Prince Charles John, from 1818 King Charles XIV John, who upon his arrival to Sweden in 1810 soon took the first steps towards a more passive

foreign and security policy. Jean Baptiste Bernadotte—his name before he came to Sweden—was a French field marshal in the Napoleonic army who was hand-picked for the Swedish crown, since King Charles XIII had no children who could inherit the throne. Jean Baptiste Bernadotte was chosen because of his merits on the battlefield, and some expected that the field marshal would restore Swedish prestige by reconquering Finland, which Sweden had recently lost to Russia. Others thought it was a good idea to pick a French heir to the throne since this would strengthen the relationship with France after the Franco-Swedish war.

Those who thought Jean Baptiste Bernadotte would reconquer Finland were soon disappointed. He opted for a cautious approach in relation to Russia and the Finnish cause, arguing that Sweden should stay out of great power conflicts and not try to bring Finland back to Sweden. It proved to be a path-breaking intervention, which would direct Swedish foreign and security policy for at least 170 years. There were several reasons for the king's decision. For one thing, reconciliation with Russia would secure stability on the eastern side. Secondly, the king was more worried about the western borders and saw the Scandinavian peninsula as one natural geographical unit (following then dominant notions about 'natural borders'). After Sweden had joined the Russian-led coalition against Napoleon in 1812 and ended up on the winning side in 1814, it could force Denmark (an ally of France and thus on the losing side) to give up Norway to Sweden while Sweden would give Denmark Swedish Pomerania and Rügen in return.

Taking the throne in 1818 Charles XIV John could start out from a favourable geopolitical situation with secure borders to the west and a more stable relationship with Russia, the historical enemy (Carlsson and Höjer 1954: 230). From this point he started to pursue a balancing act between England to the West and Russia to the East, based on what can be seen as small-state realism (Lindgren 2012: 43; Malmberg 2001: 69ff). The Bernadotte king managed to keep Sweden out of war and with more or less secure borders he advocated that Sweden stay as passive as possible with regard to great power conflicts. Although his security policy was not always strictly neutral, and he sometimes ended up in a position favouring one side or another in different matters (i.e. maritime trade with colonies), he still issued a declaration of neutrality in 1834 (Carlsson and Höjer 1954; Jansson 1961; Westberg 2016). This declaration was the formalization of the steps taken along a passive route, from 1814 and onwards. The clear objective was to 'avoid being drawn into a war between Great Britain and Russia [...] the self-image was one of Sweden being a status quo power' (Elgström 2000: 90).

Charles John's son Oscar would continue along the same route with his declaration of neutrality in 1853 in relation to the Crimean War. Although neutrality was for a long time seen as the only viable alternative, it was, however, 'not [...] an end in itself', rather a means to maintain autonomy and to keep doors open (Elgström 2000: 98). For a short time, both the King and the Crown Prince also entertained ideas about joining the alliance against Russia, with the clear objective



of winning back Finland or at least separating Finland from Russia. There was also a clear anti-Russian public opinion that Oscar was not indifferent to (Elgström 2000: 101). However, when the alliance, in particular England, could not promise to extend the war to include the Finnish cause, Sweden refrained from joining the alliance. There was also significant opposition among Swedish decision makers to a war. The policy of neutrality thus remained in place over time, with increasing support within the Swedish foreign policy elite (Jansson 1961: 95–97; Elgström 2000: 98–99).

Hence, the two kings eventually charted a cautious path in which Swedish ambitions were adjusted to the structural context and where the policy of neutrality made it possible to stay out of war. And when the strict interpretation of this policy was not enough, both proved willing to interpret neutrality in flexible terms in order not to provoke potential enemies. Over time those who had objected and favoured a more active revanchist policy came to accept this policy. This was perhaps easier to do as the latter half of the nineteenth century was a time without serious threats to Sweden. The policy of neutrality therefore had ample time to become an integrated part of Swedish foreign and security policy (Lindgren 2012: 49).

Although the mid nineteenth century included examples of Swedish foreign and security policy dallying with taking sides in some of the conflicts of the era, overall, the commitment to neutrality gradually became institutionalized to an increasing degree, from the Swedish declarations of neutrality in the wars of 1834 and in 1853 to the outbreak of World War I when neutrality had become an integrated part of Swedish foreign and security policy, with a more elaborated foundation in international law (cf. Westberg 2015: 105). We now turn to this institutionalized policy of neutrality and analyse it with its context challenges and agents at the time of four snapshots.

### **The Evolution of Institutionalized Neutrality: Four Snapshots**

In order to capture the development of the policy of neutrality we will provide four ‘snapshots’ of moments that we see as critical junctures, situations when the policy was challenged by new circumstances, such as external shocks or changes in the balance of power, and has had to be reinterpreted (Westberg 2016, for a methodological discussion on the use of critical junctures, see Capoccia and Kelemen (2007)). These snapshots cover World War I, World War II, the Cold War, and the post-1989, ‘post-neutrality’ phase.

At the time of *World War I*, Europe was divided between a few great powers and the inertness of the power structure with two major alliances made the situation hard to handle. But for Sweden, the situation was less problematic. The tensions between the great powers was mainly concentrated in Central Europe;

Swedish territory was of less concern to other actors (Westberg 2015: 108–116). When war broke out in the summer of 1914, Sweden again declared itself neutral. This declaration notwithstanding, there were threats to Sweden. Russia had long harboured doubts about whether to trust the Swedish neutrality—and with some justifications (see further on in this chapter). Still, Sweden managed to maintain its credibility and avoided war.

After World War I Sweden ended up in a more favourable security environment with a much weaker Germany, a newly formed Soviet Union that had just gone through internal convulsions, an independent Finland, and three new small Baltic states in its region. Sweden followed the idealist tide and pursued a foreign and security policy based on multilateralism and legalism within the newly formed League of Nations. Like many others, Sweden was late to internalize (or fully understand) all the implications of the rise of Hitler's fascism in Germany and its aggressive policy of rearmament and territorial expansion.

At the outbreak of *World War II*, our second snapshot, Swedish defences were in a parlous state, and maintaining neutrality was seen as the only option by the Swedish Prime Minister Per Albin Hansson and his government. Some voices were raised in favour of a non-neutral position, and Swedish Foreign Minister Rickard Sandler even had to leave office, since he argued in favour of Swedish military support for Finland and the securing of Åland when the Soviet Union initially increased pressure on Finland and eventually invaded Finnish territory (Norman n.d.). Sweden maintained a neutral stance also after its neighbours Norway and Denmark were attacked and occupied by Nazi Germany in April 1940. Sweden eluded their fate, but at the price of a high degree of political, and moral flexibility (Bjereld et al. 2008: 27).

At the outset of our third snapshot, *the Cold War*, Sweden declared its ambitions of becoming a member of the United Nations right after the end of World War II. The then former Swedish Foreign Minister Christian Günther and the then present Foreign Minister Östen Undén debated the possibility of Sweden maintaining the policy of neutrality once the country had become a member of the UN. Günther argued that membership of the UN was fully compatible with the policy of neutrality, while Undén found them fundamentally incompatible, since the UN Security Council had the authority to force member states to comply with UN decisions. In practice, Sweden became a member of the UN, while at the same time maintaining the policy of neutrality since superpower disagreements made the Security Council unable to act according to its charter (Brommesson and Ekengren 2017).

Until the mid 1950s, the common view among Swedish politicians had been that the policy of neutrality required foreign policy passivity, for two reasons. First, the Swedish decision makers perceived an intense conflict between East and West and felt that Sweden should avoid jeopardizing the stability that followed from the division into two military and ideological blocs, NATO and the Warsaw Pact. It

would serve Swedish interest to remain non-aligned and to declare neutrality in case of a major conflict between NATO and Warsaw Pact. The room to manoeuvre for a small state like Sweden was believed to be limited. Sweden should therefore refrain from upsetting any of the parties in the Cold War.

Second, therefore, Sweden should not express strong views on sensitive issues on the international stage since this could jeopardize the credibility of its neutrality. How Sweden was perceived was seen as essential for its credibility and hence the future success of the policy of neutrality. According to Östen Undén, Swedish Foreign Minister and professor of law, Sweden should be precautionary, and work to strengthen international law by supporting the UN. It was deemed important that Sweden did not take sides in the ongoing Cold War. Another reason for why it was important for Sweden to be cautious was the situation of Finland. There was a perceived risk that the Soviet Union would put additional pressure on Finland, and even invade the country if the Swedish policy of neutrality was no longer seen as credible (Bjereld et al. 2008; see also Kähönen 2006).

Although many of the Swedish military leaders were instinctively aligned with the West and NATO, they were ready to accept neutrality between the blocks on pragmatic grounds. One important reason was as mentioned the so-called 'Finland argument', which held that Finland would risk ending up behind the Iron Curtain if Sweden changed its policy of neutrality/non-alignment to a more outspoken support of or membership in NATO (Kronvall and Petersson 2005: 36–7). Also important for the continuing implementation of the policy of neutrality was that the US in particular became more positive towards it over time. As of the early 1950s, the US saw Sweden as a much-needed buffer against the East and knew Sweden leaned ideologically towards the West (Kronvall and Petersson 2005: 50).

Once thaw set in between the superpowers, Swedish government representatives saw increasing room for manoeuvre. During the 1950s and 1960s in particular, a new generation of Social Democrats with Olof Palme as the lead figure argued that neutrality made foreign policy activism possible. Since Sweden was non-aligned and opted for neutrality in the event of war, it would not be seen as taking sides in international conflicts. According to Palme and his generation of Social Democrats, this provided Sweden with a unique position based on which Sweden should get involved and both criticize the great powers as well as defend weaker states (Bjereld et al. 2008). This made it possible for a country that had remained passive during World War II and that still tried to build its credibility as a neutral country in the event of war, to speak up on moral grounds. Maybe this eased the moral burden of not having defended Europe from fascism during World War II. Sweden began to criticize colonialism and South Africa's apartheid society, superpower breaches of international law and involvement in armed conflicts, for instance US military intervention in Vietnam and the Soviet invasion of Czechoslovakia (Bjereld 1992).

Sweden was still non-aligned and pursued a policy of neutrality, but was now acquiring a profile as an internationalist country that sought to exert influence on issues and conflicts occurring way beyond its own region. Criticism levelled at the superpowers was combined with increasing foreign aid to developing countries, which also influenced Swedish trade policies (Glover 2015). Swedish diplomats also mediated in several conflicts during this period and between 1945 and 1990 Sweden was second only to Canada in contributing to UN peacekeeping operations (Bjereld 1992: 92).

Even as the Cold War worsened following the 1979 Soviet invasion in Afghanistan, the different centre-right coalition governments that followed from 1976 after the Social Democrats lost power, held on to the activist Swedish foreign policy while remaining loyal to Swedish non-alignment and neutrality.

The *post-Cold War period* constitutes our fourth snapshot. The end of the Cold War that followed German unification and the disintegration of the Soviet Union, introduced a geopolitical shift in Europe which challenged the Swedish policy of neutrality at its core. With the dissolution of the Soviet Union, the major threat to Sweden's security radically changed in nature: rather than Soviet invasion it was now the prospect of prolonged instability on its Eastern borders that worried the Swedish politico-military establishment. Two major implications for Swedish strategic thinking came out of this.

First, due to the *détente* in northern Europe, Sweden was free to seek a rapprochement with the EU which throughout the previous decades had been seen as detrimental to the fate of Finland, as the neighbouring country would have been left exposed to great power rivalry. The question whether membership of the EU was incompatible with the Swedish policy of neutrality did not arise in the same way any longer. The liberal-right parties in Sweden had traditionally leant more towards Europe, while the Social Democratic Party and the Left Party had leant towards the UN. When also the Social Democrats became positive about Swedish membership in the EU, the domestic scene changed dramatically. Other considerations, particularly Sweden's economic interests, came to the fore instead of fear of jeopardizing the policy of neutrality (Gustavsson 1998). It was therefore not coincidental that the 1990 declaration of Prime Minister Ingvar Carlsson's Social Democratic government that Sweden would seek membership of the EU was tied to the launch of an economic reform programme.

Second, the newly independent states in central and eastern Europe were eager to join the EU in order to anchor the considerable economic, social and democratic reforms they were about to undergo. The prospect of a large number of eastern and central European countries entering the EU was attractive to Sweden, both because of the possibility of extending membership to include the three Baltic states and thereby changing the geopolitical constellation in the Baltic Sea region, as well as the fact that the accession of up to 12 new member states was bound to water down the drive towards supranationalism in the EU.

Sweden's 1995 accession of the EU was the outcome of a passionate domestic political debate that was decided by referendum. It was preceded by an important, albeit subtle, shift away from the traditional definition of neutrality in war and freedom from alliance in peace time, to a gradual emphasis on freedom of alliance (Michalski 2013, 2020; see also Brommesson 2007, 2010). In this sense, the EU was not regarded as a traditional, military alliance or even as linked to one, that is, NATO. Rather it was seen as desirable to develop the EU's foreign and security policy to build the capacity for peace keeping, peace building and other non-military interventions abroad. As a member state, Sweden supported the non-traditional out-of-area missions that the EU was called upon to perform.

This coincided with a re-orientation of Sweden's view of the role of its military as international humanitarian interventions came to be seen as important to achieve peace and global programmatic goals, for example poverty relief, human security, sustainable development, democracy and human rights. As part of the peace dividend of the Cold War during which an independent national defence capability had been seen as crucial, Swedish strategic thinking moved towards a post-sovereign thinking emphasizing universal norms and a moral rectitude in enforcing such goals in failed states or countries ridden by civil war. For this, the Swedish armed forces abolished the conscript army in 2009 and the defence capabilities were downgraded (Lindberg 2019).

However, following Russia's assertive-aggressive stances vis à vis Georgia in 2008 and the occupation of the Crimea peninsula in 2014, together with its support to separatists in eastern Ukraine, Swedish policymakers began to reemphasize the preponderance of the territorial defence of Sweden in its foreign and security policies. In strategic terms, Sweden continued to declare that it pursued a policy of military non-alliance (Foreign Policy Declaration 2021). At the same time, it began to adhere more strongly to the EU's solidarity clause and counted on reciprocal assistance from European and Nordic countries in time of crises, military or other. Interestingly, despite claiming military non-alliance, Sweden did set great store by its cooperation with NATO, OCSE and the UN, and its far-reaching defence cooperation with Finland, a form of cooperation that came to border on an alliance. This Finnish-Swedish defence cooperation grew deeper from around 2015 with highly operational aims, including a joint naval task force, increased inter-operability between other kind of forces, joint combat control, and also the development of a concept for deploying a joint army force (of the size of a brigade). This cooperation was seen as a cautious strategy to increase the defence capabilities of the two countries in an increasingly hostile environment, without increasing the tension in the way a NATO membership would do (Brommesson 2018b; Ojanen and Raunio 2018). So, while the rhetorical commitment to neutrality continued unabated, the underlying realities of foreign and defence policy shifted away from it. When Russia launched a full scale invasion of Ukraine in February 2022, Sweden was already well integrated into NATO structures. At the

same time, the aim to preserve stability had been undone by Russia's violation of the European security order. As Finland shortly after the Russian invasion signalled its willingness to join NATO, the Swedish Social Democrats gradually also changed its policy on NATO membership. On May 15 2022, the party took the decision to seek membership of NATO. This meant there was now a strong majority in the Swedish parliament in favour of membership. The following day, the Swedish government reached the decision to apply for membership in NATO and with that more than 200 years of non-alignment had reached its end (for this process see, [Brommesson, Ekengren and Michalski 2022](#)).

### Evolving Policy Architecture

The design and the strategic choices associated with the policy of neutrality, including how flexibly it could be interpreted, have varied over time to a significant degree. One way to understand this variation is to see the design and the choices as based on a wholly pragmatic analysis of the possibilities at hand, rather than a moral analysis. Sweden has not always acted in the way other countries have preferred, or not even according to what many Swedes would have liked to see based on their moral preferences. Still, the design and choices have reflected a rational calculation of what has been seen as possible.

We could see such rationality at work in the policy goals of maintaining autonomy and balance between the greater powers during the 1800s. It manifested itself again in the declaration of neutrality at the beginning of World War I. This declaration reveals the inherent flexibility in the policy of neutrality when the declaration was presented in different ways to different parties in the war. To Germany, Sweden presented the declaration as a form of 'benevolent neutrality', while the triple entente received a message from Sweden saying that the policy of neutrality would be applied in a strict manner ([Bjereld et al. 2008](#): 26). Part of the explanation of the different signals was the strongly anti-Russian opinion in Sweden, not least among the right-wing political forces in Sweden who expressed fear of Russian aggression and advocated strengthening Sweden's military capacity. How serious this threat was and how strong the need for stronger defence forces actually was, became the centre of one of the most intense constitutional crises in Sweden when King Gustav V and the Liberal government ended up on different sides (*Borggårdskrisen*). At the same time, Swedish business representatives strongly advocated for favourable trade relationships with Great Britain. Still, Sweden was united in strong opposition to ending up on the same side as Russia. The policy of neutrality was thus the only feasible compromise that could unite the nation (cf. [Lindgren 2012](#): 53).

During World War I, Sweden came to interpret the policy in the same flexible manner. Sweden accepted German demands to turn off lighthouses on the

west coast and they agreed to German demands to stop the transiting of military equipment from German enemies. But Sweden refused to mine *Öresund*, the strait between Denmark and Sweden, despite German demands (Lindgren 2012: 58).

The same flexibility would become evident during World War II. Some of the most well-known and criticized examples include how Sweden's coalition government allowed transport of German troops on leave from Norway to Germany through Sweden, and how Sweden allowed a fully equipped German division to be transported from Norway to the Finnish–Soviet front in 1941. The decision was preceded by a heated debate in the coalition government where Foreign Minister Günther and Minister of Justice Karl Gustav Westman argued in favour of accepting the German request and the Minister of Finance, Ernst Wigforss argued against. Prime Minister Per Albin Hansson feared that the coalition government would have to resign if the centre-right members of the government supported the German request and the Social Democratic members did not. Therefore, he convinced the Social Democratic group that Sweden did not only face a governmental crisis, but also a constitutional crisis, since King Gustav V might abdicate if the government did not accept the German request (Carlgren 1974; Edman 2020).

When the tide of the war changed, Sweden started to cooperate with the allies. One example includes how Danish and Norwegian soldiers were trained in Sweden (Westberg 2015: 155). Sweden also strengthened its military capacity during the war, in order to make the policy of neutrality credible. This meant that when the war was over, Sweden did not face the humanitarian, economic or military consequences of war, and had at the same time built a strong military force that would make a continuation of the policy of neutrality credible. Sweden was to some extent a regional power with a credible policy of neutrality. Still, Sweden maintained a rather passive and legalistic foreign policy and did its best to stay out of controversial foreign policy issues. The policy of neutrality was interpreted as a policy that favoured balance and was based on provisions in international law (Bjereld 2008: 22).

The policy of neutrality with non-alignment in peacetime remained in force during the whole Cold War. Still, the politicians interpreted the requirements of the policy of neutrality very differently from the mid 1950s and onwards, compared to the interpretation of the policy during the world wars and the late 1940s. As mentioned, from the mid 1950s the policy of neutrality no longer required passivity. Instead, Sweden saw the possibility of an active foreign policy, especially in regions with no direct relation to the Swedish neighbourhood. Olof Palme, Prime Minister from 1969 to 1976 and 1982 to 1986, played an important part in the re-formulation of Swedish foreign policy along more activist lines. In Palme's view, Sweden and the Swedish welfare system could serve as a role model for other actors. According to this line of reasoning, equality was seen as a necessary

condition for a peaceful and harmonious societal development and Sweden could not be passive, if global equality was the goal (Ekengren 2005, 2011).

Still, the policy of neutrality and non-alignment was shaped by a clear sense of the limitations of what was possible. Palme was unwilling to compromise with the non-alignment and believed for example that a membership in the EEC during the early 70s might have jeopardized the perception of Sweden as a non-aligned country. Finland was also taken into account, since Finland would have been left to its own fate if Sweden were to join. The economic benefits from membership were therefore sacrificed, as a result of the will to protect the policy of neutrality (Ekengren 2005, 2011).

Following the end of the Cold War, Sweden and its foreign policy elite faced a new situation where the basic reason for the policy of neutrality was gone. There was no longer a matter of staying outside a bipolar conflict between two military alliances and the policy of neutrality seemed obsolete (Brommesson 2007). The change in the structural conditions was generally interpreted as a fundamental paradigm shift. Some even saw this new situation as the 'end of history', where the ideological conflict between liberalism and different totalitarian ideologies (Nazism, Fascism, Communism, etc.) now had come to an end and liberalism had prevailed (Fukuyama 1992). A new and peaceful world order was believed to be in the making. In Sweden, this led to a self-examination of the policy of neutrality and earlier Swedish foreign policy decisions. Suddenly, it was legitimate to more openly criticize and debate earlier decisions that had led to 'too little' neutrality (during World War II), 'too much' neutrality (too little criticism of dictators), or 'too much' secrecy regarding Swedish cooperation with the West.

The Swedish foreign policy elite grappled with the question of how fundamental this change in structural conditions really was. In general, they interpreted the new conditions as allowing for significant policy change. Most important here was how membership in the EU no longer was seen as incompatible with Swedish foreign policy. Important here is how Ingvar Carlsson (Prime Minister 1986–1991 and 1994–1996) changed his view and convinced other Social Democrats about the advantages of EU membership (Gustavsson 1998). The decision to join the EU in 1995, confirmed in a referendum in 1994, opened up the path to a Europeanization of Swedish foreign policy (Brommesson 2010). Although still formally maintaining a policy of non-alignment, neutrality was being gradually phased out from Swedish security policy doctrine, as Sweden opened up to many forms of multilateral and bilateral security policy cooperation and declared its solidarity with other Nordic countries and EU members.

With a deteriorating security environment following the war in Georgia 2008, the Russian annexation of Crimea and the war in Eastern Ukraine 2014, Sweden gradually rediscovered some of its heritage from the days of neutrality. It would be a strong exaggeration to say that the policy of neutrality returned in its Cold War version, but some of the objectives of that policy did reappear. Combining



different cooperative arrangements with a more autonomous stance on (further) European integration, Sweden started to pursue a more flexible security policy (Brommesson 2018a, 2018b; Hedling and Brommesson 2017), indeed pursuing what has been called a policy of ‘post-neutrality’ (Möller and Bjereld 2015). At the same time, all centre-right parties in the Swedish parliament promoted a NATO option, that is, the option to seek membership in NATO if the conditions should require so. Still, NATO membership was seen to be a big step for Sweden, and was seen as unlikely as long as there was no consensus between the major political parties across the political spectrum. However, after Russia’s invasion of Ukraine in 2022 the Social Democrats soon changed its policy.

### **Evolving Modes of Delivery**

The policy of neutrality has been implemented in different ways throughout Sweden’s history and has been through several significant shifts of emphasis. Still, it is possible to analyse the delivery and endurance within the four different snapshots already presented. Within these snapshots the process success can be regarded as a rather delicate issue, compared to the programmatic success. Swedish policy of neutrality has often been caught in a dilemma between public debate and secret deliberations. Nevertheless, the policy of neutrality has involved a flexible range of policy instruments (from covert defence cooperation, to active foreign aid, and to a strong national defence capability) involving different stakeholders, active within different fields, representing different instruments.

During the nineteenth century the policy of neutrality developed gradually, from a declaration of neutrality being seen as one of several options in the case of war, to declarations of neutrality being used repeatedly, to a situation at the beginning of the twentieth century where the policy of neutrality was seen as the default security policy alternative. The policy of neutrality was no obvious choice in the early phase of the nineteenth century: both parts of the foreign policy elite and the public opinion held strong anti-Russian sentiments which called for a stronger stance against Russia. However, based on what today must be seen as a wise move, Charles XIV John managed to seek reconciliation and over time establish a more cautious path that eventually led to a more institutionalized policy. It is thus fair to say that it was not obvious during the initial phase that the policy would remain in place for such a long time, but the endurance grew as the policy continued to deliver peace and stability.

At the time of both world wars the policy of neutrality had become more firmly enshrined domestically and more firmly based on international law. While it had provided Sweden with flexibility in the past, it now made the country’s position predictable, which most likely was the result of a Swedish transactional calculation. Neutrality had evolved from case-by-case declarations to a general default position

based on international law that sent the message of a predictable security policy that other countries could trust (cf. [Westberg 2015](#); [Carlsnaes 1988](#)).

While public support for neutrality remained strong during both world wars, the Swedish government still had to balance the demand for a strict neutrality with different loyalties. The perhaps most obvious loyalty was to the other Nordic countries during World War II. The 'Finnish cause' was the most pressing issue, with a strong public opinion in favour of some kind of support for Finland when it was attacked by the Soviet Union in 1939. There was also significant support within the parliament for Swedish support for Finland. The former foreign minister Richard Sandler was one of the most prominent spokespersons for a more active military support for Finland. The grand coalition government, led by the Social Democrat Per-Albin Hansson, continued to emphasize that Nordic cooperation and solidarity had never implied a defence union. Yet the government still had to find some kind of balance, and this eventually resulted in a declaration of Sweden as 'non-belligerent' in relation to the Winter War in Finland, but stopped short of declaring a strict policy of neutrality. This made it possible for Sweden to send arms to Finland and for Swedish volunteers to participate in the war ([Bjereld et al. 2008](#): 27). Once again, the policy of neutrality was delivered in a flexible way, while still trying to maintain the highest possible degree of predictability.

At least after the end of World War II up until the end of the Cold War the levels of public support were high and there were few serious attempts to question the policy. At the political level, the policy of neutrality imposed a strong discursive order that was more or less impossible to break, even for parties that one could first suspect of being hesitant with regard to the policy. During the 1940s and 1950s, the Social Democratic Party, with the support of the Centre Party, was able to make the support of the policy of neutrality a matter of support for the security and well-being of Sweden. It was not possible to question the policy of neutrality without being harshly criticized for being careless, which affected the Conservative and the Liberal parties who would have preferred a stronger integration with the West and a more outspoken critical stance vis à vis the Soviet Union already during the late 1940s and 1950s ([Kronvall and Petersson 2005](#): 44).

One of the rare occasions when the unity was broken was when the Conservative Party leader, Jarl Hjalmarson, argued that the Swedish government hesitated to criticize the Soviet government for its authoritarian and aggressive tendencies in 1959. Hjalmarson expressed his concerns that a visit by the Soviet leader Nikita Khrushchev to Sweden would be seen as a propaganda stunt and criticized the Soviet Union harshly. As a result, Khrushchev cancelled his visit with reference to anti-Soviet sentiments in Sweden. In turn, the Swedish government refrained from appointing Hjalmarson to the Swedish UN delegation, which it had planned to do, as a signal that Hjalmarson's rhetoric did not represent the official Swedish position and that it could jeopardize the credibility of its policy of neutrality ([Bjereld 1997](#); [Kronvall and Petersson 2005](#): 83; [Bjereld et al. 2008](#): 172–6).

During the 1960s and 1970s, other counternarratives emerged from time to time. The main opposition party, the *Moderaterna*, criticized the ruling Social Democratic Party from time to time for not being tough enough with the Soviet Union. Other examples of critical voices in the debate included Herbert Tingsten, the editor in chief (1946–1959) of Sweden's most widely circulated morning paper, *Dagens Nyheter*, but also that of the prominent realist Ingemar Dörfer. Dörfer received his PhD from Harvard in 1971, where he was supervised by Henry Kissinger, with a dissertation on the Swedish fighter jet Viggen, including an analysis of the defence cooperation between Sweden and the US that made the Viggen project possible (Dörfer 1973). He was a source of inspiration on defence matters for conservative thinkers in Sweden. Dörfer's perspective was often that of the Realist theory of international relations, which placed great emphasis on the role of power and force (Rossander 2009), which can explain his lack of confidence in the policy of neutrality of a small state like Sweden.<sup>2</sup>

These were, however, drops in the ocean of a broad policy consensus in which nearly the entire political spectrum professed support for non-alignment (Michalski et al. forthcoming). Internationally, not least in the Global South, Sweden's policy of neutrality strengthened its reputation as an exceptionally peaceful and internationalist state (Lawler 1997; Mouritzen 1995; Waever 1992). Neutrality often went hand in hand with an ambitious foreign aid programme, and active support for so called liberation movements, as well as for nuclear non-proliferation (Brommesson 2007). The policy of neutrality thus served as a framework that provided Sweden with both a degree of autonomy and a platform for acquiring a measure of 'soft power' (cf. Nye 1990) that allowed it to punch above its weight in international politics.

With the end of the Cold War, this policy oriented towards internationalism would gradually change towards a Europeanized focus with a shift away from an openly declared policy of neutrality to military non-alliance, lending and receiving assistance in crises in other EU member states and participation in PESCO, alongside an openly declared cooperation with NATO, OSCE and the UN. Still, a few years into the 2000s as the security environment deteriorated, this shift started to point towards a certain ambiguity on behalf of the Swedish politico-military establishment. It increased its autonomy by strengthening the national defence capabilities and a bilateral defence cooperation with Finland. At the same time there was a realization that Sweden needed to engage both militarily and

<sup>2</sup> An anecdote may illustrate how sensitive it was to criticize the policy of neutrality. In the late 1980s Dörfer, together with a group of like-minded colleagues, decided to write a three-volume novel on a possible war scenario according to which the USSR attacked Sweden. In this fictional scenario the policy of neutrality and the Swedish support of the Global South did not help Sweden: the country was instead left to its own fate, at least initially. It is telling that the group decided to use the format of a fictional novel to criticize the policy of neutrality and Swedish security policy in general. It is even more telling that Dörfer and his co-authors decided to write the novel under a pseudonym, 'Harry Winter' (Hugemark 2009).

diplomatically with its partners in the EU and the US to achieve global programmatic and normative goals as well as stability in the Nordic neighbourhood. As a small, liberal state, such ambiguity in strategic thinking is not surprising and might well be key to sensible policy navigation.

Notwithstanding the turn towards selective alignment of recent decades, support for the notion of non-alignment as an insurance policy for stability and security in the immediate region remained strong among parts of the political and military elite as well as among the Swedish population. The Swedish public had never warmed to the idea of membership of NATO which was regarded as a riskier option compared to cooperation with NATO and the US which would also permit Sweden to retain autonomy and independence. Given the twin goals of retaining a degree of autonomy in foreign policy in order to enact Sweden's role as a normative internationalist and securing a safe and stable neighbourhood, strategic ambiguity was quite possibly the best policy output, as it could be enacted without having to consider difficult trade-offs. It also permitted the Swedish political establishment to remain fairly united behind the security strategy while being able to point at concrete policy successes such as reintroducing a form of conscript army, strengthening the territorial defence and pursuing an active and distinct foreign policy in line with deep-seated Swedish norms.

However, this equation all changed with Russia's full scale invasion of Ukraine in 2022, followed by a clear signal that Finland would apply for NATO membership. In the wake of these events, a strong majority in parliament and among the wider population reached the conclusion that an application for membership in NATO was the only option left on the table which could credibly provide Sweden with safety in a new unstable security situation.

### **Conclusions: Bringing the Balancing Act to an End**

In this chapter we have analysed the policy success of the Swedish policy of neutrality. During this long history of neutrality in Swedish security policy we have constantly returned to its flexible character. The policy has been interpreted in different ways and also been limited by structural conditions such as geopolitical tension, great power conflicts and potential power vacuum, but the policy has still remained in place for a long time. Paradoxically, the flexibility has often been paired with a strong desire for predictability, where the policy of neutrality has been claimed to make Swedish behaviour in a potential crisis predictable and therefore less threatening. We argue that the success of the Swedish policy of neutrality, and its overarching goal to preserve stability and self-determination, is to be found in this tension between flexibility and predictability.

Walter Carlsnaes (1988) has analysed the credibility of a policy of neutrality based on three components: there must be a will to be neutral, an ability to be

neutral, and the surrounding world should acknowledge this will and ability. With a credible policy of neutrality, the predictability is strengthened since the credibility makes it more likely that the state in question will act according to the policy and it is more likely that other actors will accept their neutrality. Looking at the Swedish policy of neutrality over time, Carlsnaes' three components have sometimes been fully present and sometimes less so. The *will* to be neutral has generally remained high, indicating the political success of the neutrality policy, but not always systematically so. We have presented examples of how Sweden took stances that favoured one or several parties in a particular war. Still the support for the policy became increasingly strong over time, and so there are political incentives to continue to display that will to be neutral.

We have discussed episodes where the Swedish *ability* to be neutral has varied, not least due to its military capacity. During the initial phase of World War II Sweden had a very limited military capacity and peace was not preserved due to the credible character of the Swedish policy of neutrality. It was rather the benevolent attitude towards Germany that saved Sweden from the war. With variation in the willingness to be neutral and the ability to be so, the external understanding of the credibility has also varied. During the Cold War period, a generally West-leaning opinion and covert cooperation with NATO resulted in the policy of neutrality losing some of its international credibility, producing uncertainty among external observers as to where Sweden would sit in the event of an armed conflict between NATO and the Soviet Union. One way to maintain credibility was to display a sense of independence and objectivity in relation to the great powers by periodically criticizing actors on both sides of the Cold War conflict, and by zealously contributing to international mediation efforts, UN peace operations and foreign aid.

When Sweden, as a comparably small state, faced structural conditions which it could not control, then flexibility came into play. A long-lasting feature of the Swedish policy of neutrality was the ability to adjust the policy to the harsh realities of international politics, and thereby maintain the policy of neutrality and in the long run Swedish self-determination, freedom and peace. It must, however, be acknowledged that this flexibility came with a moral price, when not coming to Finland's aid during World War II, or when not taking a clear stance against Nazi-Germany during the same war. To sum up, the Swedish policy of neutrality reached a high-level of *programmatic success* in terms of preserved self-determination, freedom and peace. This success was not only produced by unwavering Swedish will and ability but also through flexible interpretation and execution of the policy—and sometimes through pure luck.

Regarding *process success* we have shown through this chapter how the policy of neutrality became institutionalized and gained broader support over time. As we have seen, this was possible due to the support and involvement from key stakeholders within the political and military elites, as well as among its neighbours

and the superpowers. After World War II, the military elite would have preferred a membership in NATO, but they accepted and maintained neutrality in order not to make the security situation worse for Finland. The occasional questioning of Swedish neutrality among influential intellectuals such as Herbert Tingsten and Ingemar Dörfer during the 1950s and 1970s/1980s, never translated into robust questioning of the policy of neutrality by the political opposition. The policy of neutrality was by and large well rooted among all major political actors. Still, the inherent democratic limitations of foreign and security policy—pragmatic acts of *Realpolitik*, backroom deals and secrecy about intelligence and security operation on the ground—puts limits on the degree of process success that was achieved.

On the wings of gradually increasing public support for the policy of neutrality and a positive reputation in many parts of the world, the *political success* of the policy grew over time, and did to a large extent endure up until 2022. During the Cold War, the Swedish public saw the policy of neutrality as a safe choice that would keep Sweden out of a superpower confrontation. At the same time, success came at a moral price at times, particularly when kowtowing to Fascist (during World War II) and Communist totalitarian dictatorships (during the Cold War) in the region. However, the defenders of the policy would respond by saying that the policy of neutrality made Sweden a credible voice with an active foreign policy during the Cold War, because of, and not despite, the policy of neutrality.

After the end of the Cold War, Sweden did not become a NATO member and the country was for long described as post-neutral, with the policy of neutrality having ramifications. Still, with a more assertive Russia, a closer defence cooperation with both NATO members and a non-member such as Finland, and an increasing number of parties calling for at least a 'NATO-option', the issue of membership became more open than ever before. With Russia's full scale invasion of Ukraine in 2022 and the demolition of the European security order, Finland and Sweden decided to apply for membership in NATO, following a shift in public opinion, and a change of policy within the Social Democrats. With this, the more than 200-year-long trajectory of neutrality was broken.

### Questions for discussion

1. As shown in this chapter, the Swedish policy of neutrality has been interpreted in highly flexible ways during its life span. Can we therefore talk about a consistent policy of neutrality?
2. The flexibility of the Swedish policy of neutrality has often been manifested when structural conditions have changed. What can we learn from this regarding the classical tension between structure and agency in international relations?

3. In this chapter the success of the policy of neutrality has been discussed in different, hopefully nuanced, ways. At the same time, the policy of neutrality has been questioned and the policy has been forced to be adjusted over time. Against this background, in what ways could we argue that the policy of neutrality is not a success after all?

### Links to online resources

Annual statement of foreign policy, presented by the Swedish foreign minister to parliament:

<https://www.government.se/speeches/2021/02/statement-of-foreign-policy/>.

Swedish Civil Contingencies Agency:

<https://www.msb.se/en/>.

Swedish Ministry for foreign affairs:

<https://www.government.se/government-of-sweden/ministry-for-foreign-affairs/>.

The Royal Swedish Academy of War Sciences:

[www.kkrva.se/](http://www.kkrva.se/).

The SOM-institute:

<https://www.gu.se/en/som-institute/>.

The Swedish Armed Forces:

<https://www.forsvarsmakten.se/en/>.

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# The Swedish Child Vaccination Programme

*Paula Blomqvist*

## Child Vaccinations in Sweden

Vaccination against infectious disease is one of humanity's most important inventions and a cost-effective way to save lives. Despite the seeming simplicity of providing a quick injection and thereby protecting citizens against illness, mass vaccination is in fact a complex policy endeavour. The Covid-19 pandemic has illustrated the organizational and the political challenges as well as emotionally charged nature of vaccination policies. Who shall produce, purchase and administer vaccines? Are they safe? Who should get vaccinated first? At the heart of vaccination policy is the issue of trust. Vaccination involves injecting toxic substances, sometimes live bacteria of the same kind that causes disease, into the bodies of healthy individuals. In this sense, mass vaccination is a big responsibility undertaken by governments, and a leap of faith for citizens responding to their calls by letting themselves—or their children—be vaccinated. It is hardly surprising, therefore, that vaccination programmes have often sparked protest, especially when vaccines are new (Krantz et al. 2004, Salmon et al. 2006, Holmberg et al. 2017: chapter 1). During the Covid-19 pandemic, the controversies surrounding mass vaccination became headline news as governments struggled with securing vaccine deliveries while protesters took to the streets, calling for an end to the vaccinations (Los Angeles Times 2021; Hotez 2020).

Aside from temporary vaccinations against pandemics, governments also carry out routine vaccinations of children. The goal behind child vaccination programmes is not just to protect the individuals being vaccinated but to prevent a disease from spreading within the population at large, thus protecting the whole society, including those not vaccinated (WHO 2021). To achieve high levels of vaccine uptake and maintain them over time has proved hard also for advanced industrial countries. Recent reports from WHO and the European Commission show that even in such countries, outbreaks of diseases that were once believed to be eradicated, like tuberculosis or measles, occur frequently. In other parts of the world, these and other infectious diseases continue to claim the lives of millions of humans every year (WHO 2021).

Along with the other Scandinavian countries, Sweden became a front runner in developing mass vaccination programmes for children in the 1940s. Since then,

vaccines against other diseases have gradually been added to the programme as they have developed, and in some cases taken off the programme when no longer considered necessary or effective. In contrast to many other countries, child vaccinations in Sweden are voluntary, but vaccination uptake is still 97 per cent, one of the highest in the world.<sup>1</sup> Even more notable is that Sweden achieved an almost universal immunization coverage of the child vaccinations already by the 1950s; a circumstance that contributed to a rapid improvement in children's health over the coming decades (Zetterström 2005; Swedish Public Commission 1975).

In this chapter, I argue that the Swedish CVP can be considered a policy success in terms of the PPPE (programmatic, political, process, endurance) framework used in this volume. Perhaps its most notable characteristic is its endurance, enabled by continuous adaptation to scientific advances but also to challenges such as a growing scepticism against vaccinations in some parental groups. An important factor behind the programme's success, which is visible particularly in its programmatic performance, is its early institutionalization within popular parts of the out-patient public health care system such as the school health services and Child Health Centres (CHCs). I conclude with a discussion of a key challenge the Swedish CVP now faces: the rise of vaccine hesitancy in the age of the Covid-19 pandemic.

### **An Indisputable Policy Success?**

In 2021, the Swedish child vaccination programme (CVP) offered free-of charge vaccination against eleven diseases altogether, including diphtheria, measles, rubella, polio and tetanus.<sup>2</sup> The vaccines are given to children between the ages of 3 months and 12 years on altogether eight different occasions. Vaccines are provided free-of charge and delivered through public child health centres (CHCs) and school health services. All vaccinations are voluntary but strongly encouraged. In addition to the general child vaccination programme, which covers all children residing legally in the country, there is also a part of the programme that targets children at risk, for instance the prematurely born or children exposed to disease due to travelling (PHA 2021).

To what extent can the CVP be regarded as an instance of successful public policy? At first glance, this seems an easy question to answer. Mass vaccinations of children in Sweden during nearly 80 years have undoubtedly saved numerous lives and have contributed to eradicating or strongly reducing deadly or crippling diseases like tuberculosis, diphtheria and polio. A deeper probe into different

<sup>1</sup> This refers to immunization against measles, mumps and rubella (MMR); a combination vaccine dose administered at the age of 18 months.

<sup>2</sup> Diphtheria, tetanus, pertussis, polio, haemophilus influenzae type b, pneumococcal, measles, mumps, rubella, rotavirus and human papillomavirus (HPV).

dimensions of policy success makes the question slightly more complex. Sweden was one of the first countries to develop a comprehensive national vaccination programme during the 1940s and 1950s, but other countries have gradually caught up, making the Swedish programme seem less unique over time. It is also evident that Sweden, just like other countries, has seen a growth in anti-vaccine sentiments among the public in recent years, leading more parents to refrain from vaccinating their children (Nihlén Fahlquist 2018). Additionally, one may question how inclusive the governance of the programme is, given that it is based on scientific evidence interpreted exclusively by government expert agencies and the medical profession.

### Programmatic success

The public value proposition of the programme is strong. Its goals are clearly stated and have remained constant throughout the programme's existence: to reach high immunization rates and thereby eliminate or strongly reduce the diseases included in the programme. In recent decades, this goal has been formulated as the achievement of 'herd immunity' which means that such a large part of the population becomes immune to a disease through vaccination that the virus or bacteria cannot spread, leading to the whole population, also the non-vaccinated, being protected. For most of the diseases included in the CVP, herd immunity is believed to occur at 95 per cent coverage, and Sweden has invariably obtained this goal (European Commission 2018: 29). Immunization coverage has certainly been high in Sweden in comparison with other countries, but does not stand out as much as it used to, as other countries have reached similar or even slightly higher levels of immunization. In 2018, Sweden was one among six European countries to have coverage rates of above 95 per cent for the so-called MMR vaccine, protecting against measles, mumps and rubella and given at the age of 18 months. Of the other five countries, only two (Luxembourg and Spain) had voluntary vaccination programmes (European Commission 2018).

Sweden was an early mover in vaccination policy; the CVP's goals were largely achieved within a decade of its creation. Within a few years after the programme's introduction, near-universal coverage had already been achieved, leading to a sharp decline in cases of tuberculosis, tetanus and diphtheria (Rabo 1998; Burström 2003; Böttinger et al. 1993). Burström et al. show that the decline in infectious disease among Swedish children in the post-war period also had an equitable effect, in that it reduced differences in child mortality between socio-economic groups as well as geographic areas (Burström 2003). The fact that the CVP was established relatively early compared to similar programmes in most other countries also means that not only younger Swedish generations but a high share of the adult population is immunized against serious infectious disease.

The programmatic success of the CVP is also reflected in its policy design. Its delivery model—non-compulsory, free of charge, administered through low-threshold, highly trusted institutions (public child health centres and school health services) – has made it a well-functioning and stable system, whose smooth operation in turn contributed to the legitimacy of both the school health services and CHCs after they were established. In this manner, the CVP not only helped reduce child mortality and crippling disease during the post-war years, it became an important part of the county's new, universal, public health care system. Sweden's position as a front runner in the area of child vaccination in the post-war years was also manifested in the creation of a joint child vaccination programme by the Swedish, Danish and Norwegian Red Cross in cooperation with UNICEF in the late 1940s, oriented towards vaccination of children against tuberculosis in other parts of war-torn Europe (Bryder 1999).

A third indicator of the programmatic success of CVP is the high level of confidence in the programme among the Swedish population, which was established in the early years after its introduction and has remained steadfast since (Böttinger 1993; Grandahl et al. 2017; Byström et al. 2020). In 2018, a study by a European Commissions Expert Panel on Vaccination showed that Sweden is among the EU countries with the highest level of public confidence in its national vaccination programme (European Commission 2018). The study also noted, however, that there has been a slight decrease in support for the programme in Sweden during the last decade (ibid: 43), which is confirmed by Swedish data (PHA 2021). Even so, the general picture is that the Swedish child vaccination programme has had a high level of programmatic success, both with regard to its short-term and long-term outcomes.

### Process success

The quality of the policy process that led to the creation of the programme is somewhat more elusive, given the long time that has passed since the first version of the CVP was first enacted in the 1940s. One indicator that the policy process was open to influence from societal actors is the leading role that physicians, particularly paediatricians, played in bringing about the first vaccination programmes against tuberculosis and diphtheria. Particularly in the case of tuberculosis there was a broad social mobilization to try to prevent the disease from spreading in the early twentieth century, involving both medical professionals, politicians and philanthropic organizations (Puranen 1984).

The formal policy process that set up the first CVP centred around the Swedish Medical Board (*Medicinalstyrelsen*), an government expert agency established in 1815 with the task of overseeing medical care and health promotion in the country. It was the Medical Board that proposed to the government in 1944 that the

so-called Calmette vaccine against tuberculosis should be offered to all infants. By this time, the board had already initiated mass vaccinations of children against diphtheria (1943). Through the formal parliamentary process, the proposals by the board were sent out for consultation to other stakeholders; the same system of formalized, openly recorded consultation that is still in operation in the Swedish parliament today (Lundberg 2014). The consulted organizations in the 1940s consisted mainly of the regional governments, called county councils, and medical associations (prop 1943: 356). In this sense, the policy process can be seen as fairly transparent and open to at least some stakeholders, but it is striking how few actors were given a chance to comment on the proposal. By today's standards, the process would probably not be considered sufficiently inclusive and participatory. The top-down, technocratic policy style was, however, a feature of the times. In addition, regular democratic institutions were partially suspended during 1944, as the Swedish government then consisted of a wartime coalition where all major parliamentary parties were represented.

At the time of writing, 2021, the policy process is considerably more open as all criteria for evaluation of whether a new vaccine should be added to the programme are publicly advertised, along with information about the decision processes, participating organizations and the considerations behind suggested changes in the programme. The decision-making process surrounding the vaccination programme has also come to include more stakeholders (PHA 2021).<sup>3</sup>

### Political success

The early establishment of the CVP and the decline in child mortality in infectious disease that followed has been a source of pride for the actors involved in the creation and maintenance of the policy. The first child vaccination programmes introduced in the 1940s and 50s are often depicted, along with child health promotion more generally, as a milestone in the history of Swedish public health policy (Sundin and Willner 2007: 153; Jonsell 2013). Public health policies, like social policies more generally, during this period are foremost associated with the Social Democratic Party, which dominated Swedish politics between 1932 and 1976. Several researchers have pointed to the Social-Democratic ideology, with its strong orientation towards universalist social policy and preference for state intervention to improve public health, as an important factor behind the early development of mass vaccination programmes in Sweden (Bryder 1999; Berg 2009). The establishment of mass vaccination programmes for children in

<sup>3</sup> The wartime coalition government 1939–1945 had representatives from four of the five parliamentary parties at the time: the Social Democrats, the Farmers' Party, the Liberal Party and the Conservatives. The small Communist Party was not included.

the 1940s is also claimed as a proud achievement by the Swedish medical professions, particularly paediatricians and pneumonologists (Rabo 1998, Boman 2012). The CVP and its institutional base, the Child Health Centres (CHCs) and school health services, are still considered vital parts of the Swedish public welfare system. Particularly the establishment of CHCs in the 1930s to combat poverty and poor health among children has gained an almost mythical quality of professional pioneering and social progressiveness in Swedish social history narratives (Hörnfeldt 2009; Ohrlander 1992).

## Endurance

Central to CVP's policy success is its endurance. It not only succeeded in eradicating or strongly diminishing serious infectious diseases in Sweden in the mid twentieth century: it also created a stable and adaptable institution for evaluating and introducing new vaccines for many decades to come. In 2021, nearly eight decades later, the programme still performs very well programmatically and continues to enjoy solid political and public support. The adaptability of the programme is also evident in that it has gradually become more transparent over the years, with considerably more information available to the public today regarding how decisions are made within the programme and by whom.

## How It All Started

Child mortality and the poor living conditions for many children became a major social concern in Sweden in the early twentieth century, a concern that was shared by politicians, philanthropic organizations and the medical professions (Ohrlander 1992). The period 1870–1930 had seen a rapid transformation of Swedish society as a result of a fast industrialization and urbanization. Migration into the cities and the new factories contributed to the spread of infectious diseases, as housing for the new labourers was often crowded and sanitary conditions poor. In the countryside too, poverty, crowded living facilities and lack of knowledge concerning basic hygiene was common well into the 1930s. Even through mortality due to infectious diseases had decreased gradually in Sweden during the nineteenth century as a result of better nutrition and successful struggles against epidemics such as cholera and smallpox, child mortality remained high (Sundin and Willner 2007).

The leading cause of death among children in the early twentieth century was tuberculosis, but they were also susceptible to other dreaded diseases like pertussis, measles, polio, diphtheria and influenzas. Outpatient health care was organized at the time through a system of state-employed and regulated so-called provincial

doctors (*provincialläkare*), aided by the newly established profession of district nurses. For most serious infectious diseases of the 1930s there was no cure. One exception was smallpox, in which case the British physician, Edward Jenner, had pioneered the development of a vaccine in 1798. Vaccination against smallpox had been made mandatory by law in Sweden in 1816 and was distributed with the help of the parishes, which had the most reliable population registrars at the time and enjoyed the confidence of local populations (Sköld 2000). The early and successful mass vaccination against smallpox in Sweden, which continued into the twentieth century, involved the construction of a nationwide infrastructure for distributing and administering the vaccines across the country (Ansell and Lindvall 2020). The struggle against tuberculosis, which intensified after 1900, led to development of new treatments like X-rays, gassing of the lungs and surgery, but proved futile in most cases. Instead, the treatment consisted mainly of isolation in sanatoriums, even for children, so as to prevent further spread of the disease (Jonsell 2013; Puranen 1984).

In the 1920s and 1930s, broad political mobilization occurred in Sweden through the nascent workers' movement. Its political branch, the Social Democratic Party, steadily increased its parliamentary influence, and in 1917 it entered for the first time into a governing coalition with the Liberal Party, which was also bent on social reform. During the 1920s, the size of the population became a growing political concern, as many feared that the steady decline in birth rates during the nineteenth century would lead to lack of manpower and general demise of the nation. Such fears, in combination with the social reform agenda of the Social Democrats in particular, led to rising public and institutional attention to the health and living conditions of mothers and children and a growing state involvement in child health (Herman 1992; Berg 2009). During the same period, many doctors, especially provincial doctors and paediatricians, became actively involved in the struggle to improve children's health through improved nutrition and sanitation.

To reach out to poor families, a movement known as the Milk Drop (*Mjölkdroppen*) which had originated in France, spread in Sweden after 1905 and led to the establishment of centres where impoverished mothers could receive free (cow's) milk for their infants. Initiated and funded by charity organizations, the Milk Drop centres also became a place where district nurses and provincial doctors could examine the children and refer them for medical treatment if necessary (Stenhammar 2001). Over time, the Milk Drop centres were transformed into health centres; precursors to what eventually became a nationwide, publicly funded system of child health centres (CHCs) in 1938. A pioneer in this regard was the paediatrician Axel Höjer, who opened the first child health centre in a former Milk Drop facility in Stockholm in 1921. Höjer, an active member of the Social Democratic Party, later became the director of the Swedish Medical Board (Berg 2009). The CHCs, together with school health services, would later provide



the institutional infrastructure needed to administer regular vaccinations of all Swedish children.

Paediatricians, organized as a section of the Swedish Medical Society, also played a central role in the setting up of one of the first mass vaccination programmes, against tuberculosis. When a new type of vaccine, developed by the French bacteriologist Charles Calmette, became available in the early 1920s, Swedish doctors went to collect it in order to start their own experimental production. In 1927 the paediatrician Arvid Wallgren started injecting Swedish children with vaccine, using a method he himself had developed. Wallner was also highly active in promoting the new vaccine through professional journals and organizations like the Paediatricians Association (*Svenska Barnläkarföreningen*) and the National Association Against Tuberculosis (*Nationalföreningen mot tuberkulos*). Other doctors were initially sceptical of the Calmette vaccine, however, and it was debated intensely within the profession until its use became widespread in Sweden towards the end of the 1930s (Rabo 1998; Puranen 1984).

In 1944, the parliament approved a proposal from the Medical Board to allocate funds for a nationwide programme to vaccinate all newborns against tuberculosis. This shows that, in contrast to many other countries at the time, Swedish doctors were able to convince public authorities fairly quickly about the benefits of the Calmette vaccine. By that time, another mass vaccination programme for children, against diphtheria, had already been approved by the government after a petition from the Board (in 1943). Vaccinations against diphtheria were less controversial among the profession as they did not, like the Calmette vaccine (also known as BCG vaccine), contain live bacteria. In contrast to the tuberculosis vaccinations, which were provided directly after birth at the maternity hospitals, responsibility for the diphtheria vaccination was placed with the outpatient child health services overseen by the provincial doctors. Within a few years, the responsibility for administering vaccinations against both diphtheria and tuberculosis would be shifted to the newly established CHCs and the school health services.

In sum, it is clear that the medical profession played a key role in bringing the matter of child vaccinations into the public limelight and actively campaigning for mass vaccinations. High-profile professional representatives like Wallgren were also active members in the Social Democratic Party and they advocated free-of-charge vaccinations for all children, not just the poor. This illustrates too how medical discoveries, public health concerns and Social Democratic ideas about universal social rights became linked together during the inter- and post-war years in Swedish politics (Gustafsson 1987; Berg 2009). A second key agent behind the CVPs' early development was the government's expert agency, the Medical Board, which was instrumental in channelling the medical knowledge and innovation into the political arena in the form of concrete proposals for mass vaccination. Aside from these policy agents, there were also favourable institutional conditions for the establishment of child vaccination programmes in Sweden in the

1940s. First, the national Medical Board had been instrumental in organizing mass vaccinations throughout the country against smallpox since the early nineteenth century; and secondly, the nationwide system of local CHCs, together with the public school health services, provided a professionalized infrastructure for administering vaccines to children of all ages and social backgrounds.

### The Architecture of the CVP

By the late 1950s, the new policy programme for child vaccinations was firmly in place. Several vaccines had been added, including tetanus (1953), pertussis (1953) and polio (1957). In 1958, the task of administering the vaccinations against smallpox had been shifted to the CHCs as well. In the new legislation underpinning this shift, vaccination against smallpox for children was still formally mandatory but if the parents had ‘serious misgivings’ the child could be exempt ([Swedish Government Bill 1958](#): 111, 1). The policy for child vaccinations that had emerged was based on the following components:

- Universalism
- Public funding (vaccines delivered free of charge)
- Voluntariness
- Production of the vaccines in Sweden by the State Bacteriological Laboratory (SBL)
- Delivery by the CHCs or school health services (depending on the age when the child was vaccinated)
- Regulation and oversight by the Medical Board

The first two of these components can be understood in light of the interest on the part of the state that serious infectious disease and epidemics were held in check. The universality principle was also prominent in the organization of the new CHCs, which catered to all children in the local area and where all services were free of charge. Indeed, universalist social policies had by this time also become a credo of the Social Democratic Party, who promoted their vision of the emerging welfare state as a ‘People’s Home’, where all citizens were to be treated as equals and have the same social rights, regardless of class, occupation or income ([Hort 1993](#); [Esping Andersen 1985](#)).

The third element, *voluntariness*, is more surprising, especially in light of the fact that smallpox vaccinations were still formally mandatory for children and certain adult groups such as sailors and military recruits in the 1940s when the first CVP was created. The most important reason for making the new child vaccinations voluntary appears to have been the belief that a sufficiently high level of immunization could be reached on a voluntary basis, making enforcement and sanctions

unnecessary. The matter of mandatory or voluntary vaccinations was discussed regularly in the parliament, where protests were voiced by some parliamentarians against the mandatory smallpox vaccinations. In 1939, a parliamentary committee had suggested that the smallpox obligation be removed, but the proposal had been voted down by a small margin. As a result, smallpox vaccinations continued to be (partially) mandatory in Sweden until 1976, when the disease was declared by the WHO to be extinct worldwide (Eklöf 2016). The open resistance among some groups against obligatory smallpox vaccinations added to the government's belief when the CVP was introduced in 1943–1944 that it would probably be easier to convince the population of the benefits of the new vaccines if they were voluntary (Government proposition 1943: 356). Another argument for voluntariness as the main principle in the child vaccination programme introduced in Sweden in the 1940s was the belief that the population had a high level of trust in the staff in the CHCs and that its incorporation with the general health promotion activities at the centres, such as medical examinations and parental education, would ensure that vaccination uptake would remain high. In 1958, the government noted that vaccines against tuberculosis had a coverage rate of nearly 100 per cent while the uptake for smallpox vaccines was considerably lower (Swedish government bill 1958).

The administration of the child vaccinations by the CHCs and school health services has been an uncontroversial part of the programme, even if the parliamentary records show that some of the medical associations consulted, such as the Association for Provincial Doctors (*Provinciälläkarföreningen*), questioned the fact that this system opened up the possibility that vaccines could be given by nurses instead of exclusively by doctors. The Medical Board took no notice of this argument, however. In practice, the matter was left to local health boards to decide, and over the years it became standard practice that nurses administered the vaccinations.

After a nationwide system of CHCs had been put in place after 1938, their activities had expanded and become professionalized. In the late 1950s, the CHCs were still formally led by the provincial doctors but employed mainly nurses. The fact that they were given the role to carry out the vaccinations of young children (0–6 years) and thus became the main delivery mechanism for the new national programme for child vaccinations is believed to have contributed to their status and legitimacy in the eyes of parents. Similarly, the school health services continued to develop after the 1930s as it became common for schools to have their own school physician and school nurse (Zetterström 2005; Hammarberg 2014). Hammarberg (2014) notes that the school health services came to be seen by the Social Democratic government in the post-war years as important arenas for the promotion of children's health and living conditions.

There are both historic and pragmatic reasons for manufacturing vaccines in Sweden rather than purchasing them from abroad. After 1909, when the State

Bacteriological Laboratory (Statens *bakteriologiska laboratorium*), SBL, had been established with the task of preventing the spread of infectious disease and manufacturing vaccines, Sweden had had the capacity to produce vaccines on a large scale. To have a national production was also motivated in the 1950s for defence reasons (Eklöf 2016a). This would change in the 1990s, when the task of the SBL was shifted to procuring vaccines on the international market for the regional governments.

Finally, the largely independent role of the Medical Board in regulating and supervising the national child vaccination programme follows the Swedish historical trajectory from the seventeenth century of autonomous, expert-led, state agencies. The board had been established in 1815, but its history dates back to the 1600s, when a national association was created by the medical profession to oversee the training and licensing of doctors. From the late nineteenth century, the board served as the government's foremost expert agency in medical and public health matters, and it oversaw all health care institutions in the county, along with pharmacies and vaccinations (Gustafsson 1987). By tradition, leading positions within the board, including the office of the General Director, were occupied by medical doctors. The role of the Medical Board in relation to the CVP programme meant that it provided the detailed recommendations of when and how the vaccines were to be administered. It was also the board which proposed changes in the programme to the government and supervised its implementation.

### An Evolving Institution

After the child vaccination programme was consolidated in the 1950s, it provided a stable institutional foundation which allowed policymakers to continually adjust which vaccines were included and at what ages they should be given. Over the years, several new vaccines were added to the programme as they became scientifically tested and available. In this sense, policy developments were typically initiated by the medical profession. Paediatricians and other physicians presented new vaccines that had been internationally developed in Swedish medical journals, arguing for or against their inclusion in the CVP. In this sense, the CVP became a highly adaptable programme. In 1968, vaccination against pertussis was added to it, followed by vaccines against measles (1971) and rubella (1974). In 1979, the vaccine against pertussis was removed, as it was considered to have poor effect. A new, more effective pertussis vaccine was later introduced in 1996. From 1975, vaccination against tuberculosis for infants was removed from the programme, as the disease was considered to have become eradicated in Sweden. During the 1990s, a vaccine against haemophilus influenzae type B (hib) was added to the general programme, along with three vaccines for children at risk (against pneumococcal infection, hepatitis B and influenza). In 2009 the vaccine against

pneumococcal infections was added to the general programme, followed by a vaccine against human papillomavirus for girls in 2010, which was extended in 2020 to boys. In 2019 a vaccine against the rotavirus was included in the programme for all infants. The CHCs and school health services have remained as the sites for delivery of the CVP.

The Medical Board, which changed its name to the National Board of Health and Welfare (NBHW) in 1968, remained at the centre of the policy processes. It was the board which proposed to the government that a new vaccine should be included in the programme and thereafter issued a recommendation to regional child health authorities, led by head provincial doctors (*förste provincialläkare*), with detailed instructions of when and how the vaccines should be administered. In practice, it was the NBHW which made the decisions regarding the vaccination programme, a circumstance which was not regulated in any legal statute until 2004. At the same time, the NBHW remained closely linked to the Swedish medical profession. One avenue for its influence was the advisory group on vaccination which included representatives from several medical specialties, along with doctors representing the school health services (Swedish Public Commission 2010, 85). This close connection between a state expert agency and the professions is not unusual in Sweden, and implies that policies tend to be technocratic, rather than politicized (Hecló 1974). From a processual perspective of policy success, this type of expert-dominated policymaking appears less inclusive but at the same time able to provide legitimacy through its solid foundation in medical science (Weingart 1999). The fact that the Social Democrats remained in power (often with the support of the small Communist Party) uninterruptedly between 1932 and 1976 and again in 1982–1991 contributed to the stability of the relationship between the government and the NBHW.

After 2000, the role of the NBHW in relation to the CVP gradually became more regulated. The new Act on Communicable Diseases (*Smittskyddslagen*) adopted in 2004 codified its role, stating very generally that it could, in practice, issue any recommendations it saw fit (Swedish Public Commission 2010: 39). In 2012, the Act was revised by a centre-right government so that it became clarified that it was the government, not the NBHW, which made the formal decisions regarding the CVP. The board retained the role however to propose to the government which vaccines should be included, as well as to issue recommendations on its own for vaccinations that the county councils could choose to finance themselves (Swedish Government Bill 2012). The amendment to the Communicable Disease Act in 2012 also led to the criteria which had been developed by the board for decisions on the inclusion of vaccines into the CVP being complemented with a criterion regarding cost-effectiveness (*ibid*). This new criterion led to economic analyses of the expected cost-efficiency of proposed vaccines, conducted by the Swedish Agency for Health Technology Assessment, becoming a novel part of the policy process.

In 2014, the NBHW lost jurisdiction over the programme when it was shifted to the newly created Public Health Agency (*Folkhälsomyndigheten*). The shift does not appear to have affected the programme's organization, as the Public Health Agency (PHA) took over the role to supervise and propose changes in the CVP. In 2016, the PHA proposed to the government that vaccination against hepatitis B should be included in the CVP. The proposal was rejected by the government on the grounds that the vaccination would not be cost-efficient (PHA 2021). As all county councils, nevertheless, chose to follow the PHAs recommendation, the vaccine has been offered to all infants since 2016 but remains technically outside the CVP. This testified to expert agencies like the PHA retaining a leading role in the governance of the CVP, even if the role of the government can be said to have been strengthened over the years.

### Adapting to Vaccination Hesitancy

Arguably, the most important explanation for why the CVP managed to establish early on and then maintain over time a very high level of coverage of its vaccinations is the trust of the parents in the programme. This trust has been maintained over time (Byström et al. 2020, but in recent decades there are signs it might be declining (European Commission 2018: 43, PHA 2021). If this becomes a persistent trend, it would constitute a serious challenge to the programme. The European Centre for Disease Prevention and Control (ECDC) reported in 2013 that rising scepticism against vaccines among the public had led to a decline in uptake in several European countries and that this threatened the EU goal of eliminating diseases like measles, rubella and mumps in the region (ECDC 2013).

Resistance against or scepticism towards vaccination has been termed 'vaccine hesitancy' and is defined by the WHO as 'a delay in acceptance of or refusal of vaccines despite availability'. The organization declared in 2019 that vaccination hesitancy is one of the top ten threats to human health globally (WHO 2019). Even more troublesome for national vaccination programmes, including the Swedish, is that anti-vaccination movements appear to have become increasingly well organized in recent years (Kitta 2018; Kata 2012). This has been explained both by the availability of online media enabling the spread of misinformation and conspiratorial ideas, and the tendency of anti-vaccination organizations to become linked to right-wing populist movements that provide them with access to a broader platform and more resources (Kennedy 2019; Zuk and Zuk 2020; Broniatowski et al 2018. In Sweden, organized anti-vaccination movements are still relatively small-scale phenomena, though they are on the increase (Swedish Civil Contingencies Agency 2021).

A specific event that appears to have triggered vaccine hesitancy in Sweden and many other countries was the publication of a study by the pathologist Andrew

Wakefield in 1998 in a British medical journal. In the article, Wakefield claimed to present evidence that the combination vaccine MMR, protecting against measles, mumps and rubella, led to autism in children. The study was later discovered to have been based on a falsification of data and was redrawn, but the false information became widely spread and caused alarm among parents. The fact that Wakefield was later convicted for research fraud and that no scientific evidence of a connection between the MMR vaccine and autism has ever been found, has not prevented anti-vaccination groups continuing to spread misinformation regarding a link between vaccines and autism (Hussain et al. 2018; Larson et al. 2011). The Wakefield article is believed to have led to a decline in vaccination uptake in several countries, including Sweden. Between 1997 and 2002 the Swedish uptake for the MMR vaccine dropped from 96.8 to 88.5 per cent (Gofen et al. 2019). Only a few years later, however, the level was restored, even increased somewhat—a ‘comeback’ achievement enabled by the decline of media interest in the Wakefield affair as well as a mobilization by national and regional child health authorities and the CHCs to counteract its negative effects on the attitudes of parents.

To address the increased scepticism towards vaccination, particularly the MMR vaccine, among parents, the NBHW developed in the early 2000s a strategy based on providing the frontline staff, the CHC nurses, with additional support and scientific information regarding the safety of the vaccine. Regional health authorities became actively involved in guiding the nurses on how to talk to hesitant parents. During the same period, CHC nurses themselves developed strategies along the lines of ‘personalizing’ the interactions with parents and letting hesitant parents postpone the vaccination to a later date (Gofen et al. 2019). The adaptation of working routines within the CVP proved effective in bringing enough hesitant parents around to restore and even surpass the pre-Wakefield coverage rates in Sweden.

A few years later, another challenge to the CVP occurred when it became known that a number of children (around 200 reported cases) had developed serious adverse effects in the form of narcolepsies after having been vaccinated in 2009 against swine flu (also known as the A/H1N1 influenza). In contrast to many other countries, Swedish authorities had recommended mass vaccination against the flu, and it turned out that one of the vaccines, Pandemrix, led to an increased risk of narcolepsies in children. The vaccine, which had been approved by the EU, was later taken off the market (Swedish Medical Products Agency 2022). The swine flu vaccination was not a part of the CVP, as it was decided and carried out by Swedish Institute of Infectious Disease Control (*Smittskyddsinstytutet*), but the negative publicity surrounding the sick children is believed to have damaged the confidence in vaccinations among Swedish parents more generally (Lundgren 2015; Grandahl et al. 2014).

Declining trust among parents may be one reason why vaccination uptake has shown a slight decline within the CVP in recent years, from 97.5 in 2015 to 97.2

in 2019 (PHA 2020: 11). The research on vaccination shows very clearly that trust, both in science more generally and in the public authorities authorizing the vaccines, is a key factor behind parental decisions on whether to let their children be vaccinated (Larson et al. 2018; Cairns et al. 2011). A key challenge for the CVP is thus to uphold trust in the programme among parents in an environment where information about side effects, both actual and false, is abundant and misinformation actively spread by anti-vaccination groups.

The Covid-19 pandemic has illustrated this mounting challenge as it appears to have triggered anti-vaccination groups, in Sweden as in most other countries. This has been evident foremost through increased online media activity but has also been manifested through demonstrations against Covid-19 vaccinations in several Swedish cities during the spring of 2021. The Swedish Civil Contingencies Agency (*Myndighetens för samhällsskydd och beredskap*) noted that such activities constituted a threat, not only to immunization policies, but to democratic institutions, as they serve to undermine faith in established science and public authorities (Swedish Civil Contingencies Agency 2021).

An additional dimension of vaccine hesitancy springs from the politically sensitive issue of immigration. Evaluations from the PHA conform that vaccination uptake is lower among the foreign-born in Sweden, particularly some groups, like the Somali (PHA 2015). This is consistent with evidence of confidence in public authorities more generally being lower among foreign-born than native Swedes (Adman and Strömblad 2015; Osman et al. 2019). In 2021, nearly one-fifth, or 19.6 per cent of all Swedish residents were foreign-born, a share that increased significantly after 2000, when the numbers of refugees coming to Sweden rose sharply (Statistics Sweden 2021). The increased share of foreign-born residents, many of whom are young and in fertile ages, thus poses a challenge for the CVP in that such groups might be more sceptical of child vaccinations. In addition to refugees being granted residency in Sweden there are also undocumented migrants, in most cases asylum seekers having been denied residence but remaining in the country illegally. This is a group that is especially vulnerable to infections as they often come from countries with lower immunization, but which is hard to reach for health authorities (Godoy-Ramirez et al. 2019).

In light of the changing cultural and social composition of Swedish society it is notable that vaccination coverage within the CVP has remained as high and stable as it has during recent decades. Even so, it is clear that that the changing social context in which the CVP is situated calls for a further development of the methods used by regional and local health authorities to reach out to and build trust amongst parental groups that are less integrated in Swedish society. Several recent projects indicate that this could be achieved with the help of culturally sensitive work methods, for instance regarding the manner of communication or through the assistance from representatives of immigrant communities (Godoy-Ramirez et al. 2019; Jama et al. 2020). During the Covid-19 pandemic, there were



also examples of non-governmental organizations such as the Red Cross and the City Mission assisting public health authorities by reaching out to and administering vaccinations to undocumented migrants and the homeless. Similarly, several immigrant organizations were mobilized to provide information about Covid-19 vaccinations in order to increase the willingness of members in their community to take the vaccine. This shows that new methods are being developed to meet the challenge of vaccine hesitancy.

### Preserving Success after Covid-19

The Swedish CVP has been successful in that it has obtained its overriding goal to protect the population from the serious diseases included in the programme. As of 2021, all diseases covered by the programme are under control with zero or relatively few cases (PHA 2020). The programme has been able to meet its goal due to a high level of trust in it and a high vaccination uptake during a sustained period of time. Its endurance has been crucial as vaccinations of new generations need to be sustained over long periods of time for a programme to remain effective. Endurance of effort is also important because it takes time to build up trust in vaccination policies and the authorities implementing them within the population.

The endurance of the CVP can at least in part be explained by its early and successful institutionalization as part of the universal Swedish child health services, which, like the health care system, is organized at the regional level. In particular, its integration with the popular, community-based, child health centres, the CHCs, had already provided the programme with a stable institutional base in the 1940s when it was first instigated. The fact that all parents with young infants regularly visit their personal CHC nurse to have their children checked upon provide a natural context for the vaccinations. In 2020, 99 per cent of the newborns in Sweden were registered with a CHC, which is an impressive figure, not least in light of the fact that a relatively high level of all parents today are born outside the country (NBHW 2020). The personal relations and high level of trust in the CHC nurses have also proved important for the CVP's ability to withstand challenges to the programme, like vaccine hesitancy and increased immigration from countries where levels of trust in public authorities are lower than in Sweden (Gofen et al. 2019; Burström et al. 2020, Arat et al. 2020).

While constituting a clear example of programmatic success, the processual and political success dimensions of the CVP are a bit less clear cut. The processual dimension is weakened by the fact that the CVP started out as an expert-led policy and in some ways has remained so, despite reforms in recent decades to strengthen political control over it. At the same time, the CVP, as a public health policy, illustrates that policies sometimes need to be grounded firmly in expert knowledge, in this case medicine, to be legitimate. When it comes to political success, it is clear

that the creation of the CVP, along with the development of Swedish preventive child health services more generally, is an achievement that is referred to proudly by all actors involved. The programme's long history tends to make it a bit diffuse, however, as to exactly which political actors were involved in its creation. Instead, it has become regarded as part of the general development of the Swedish welfare state in the post-war period. This may be one reason why the programme is rarely openly claimed as a political achievement by the Social Democratic Party. Instead, it is usually other groups, like the Swedish Paediatric Society, who claim credit for having developed the programme.

The Covid-19 pandemic brought into the political limelight the importance of vaccination policies in Sweden just as in other countries. It is yet too early to assess whether, and if so how, the pandemic will affect the CVP, but some initial observations can be made. First, the pandemic illustrated the vulnerability of national systems for vaccine provision, both with regard to obtaining vaccines and delivering them. In Sweden, critical questions were asked for the first time in years as to why national vaccine production had been discarded in favour of commercial solutions. It also became clear that the regional organization of vaccine procurement that has been used in Sweden was less efficient in the context of large international demand, as the Swedish regions had difficulty obtaining contracts for Covid-19 vaccines in competition with larger buyers on the international market. As a result, the procurement and distribution of vaccines were temporarily centralized during the pandemic to the PHA (PHA 2021a).

Secondly and perhaps more importantly, the pandemic appears to have led to a mobilization of anti-vaccination groups in Sweden. While it is yet unclear whether their activities will affect trust in the CVP or vaccinations more generally, this seems like a possible consequence. Protests against vaccination organized during the pandemic highlighted the emergence of an ideological affiliation between anti-vaccination activism and right-wing populism—a link which may contribute to vaccinations becoming a more politicized issue in Sweden in the future, as it has in the US and the UK. Such a development would constitute a shift in relation to the evidence-based, expert-led policy that the CVP has largely been so far, and may ultimately undermine its long-term viability. What speaks against such a development, at least in the near future, is that no political party in Sweden has endorsed anti-vaccination ideas.

### Questions for discussion

1. Vaccination policies are often highly contested and may evoke strong feelings. Why do you think that is? Is it still right for governments to persuade, in some cases even force, people to take vaccines or have their children be vaccinated?

2. Judging from the Swedish experience, is the best course of action for policymakers to make vaccinations voluntary or mandatory? Do you think the Swedish experience is relevant for all countries and circumstances, for instance in a pandemic?
3. The case of Swedish child vaccinations can be seen as a case of policy success, particularly when it comes to the programmatic success dimension. What do you think are the most important factors behind this outcome? And why isn't the success story as clear-cut when it comes to the process success dimension?
4. The chapter refers in several places to the important role of trust in vaccination policy. Why is trust so important in this area and how can governments try to build trust among groups of citizens that are less trusting?

### Links to online resources

Swedish Public Health Agency: [folkhalsomyndigheten.se](http://folkhalsomyndigheten.se).

WHO on vaccines and immunization: [who.int](http://who.int).

European Vaccination Information Portal: [vaccination-info.eu](http://vaccination-info.eu).

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PART IV  
POLICY SUCCESSES IN ICELAND



# Civil Protection Policies in Iceland

## Collaboration Between Authorities and Volunteer Organizations

*Ásthildur Elva Bernharðsdóttir and Steinunn Hrafnisdóttir*

### Introduction

One of the main roles of the state is to protect its citizens against threats posed by nature and man.

In this chapter we look at the success story of the development and operation of the civil protection policies in Iceland that require the collaboration of the authorities and volunteer organizations.

Iceland is a sparsely populated, disaster-prone country that has suffered grave disasters throughout its history, including frequent marine accidents, numerous natural disasters, plagues, and more. Through most of its history, Iceland was one of the poorest nations in Europe and lacked the economic strength and political will to manage the risk and consequences of disasters. However, in the first decades of the twentieth century Icelandic society experienced radical changes. People moved from farms to towns, business practices changed, the first trawlers and new fishing techniques were introduced, and new fish species were discovered. The struggle for independence inspired people and forged a national sense of identity, and solidarity grew (Grimsson 2009). With home rule established in 1904 and independence granted in 1918, optimism was sparked.

One of the initiatives that ensued was that citizens joined forces to improve safety at sea. This included voluntary participation in rescue operations in the event of marine accidents. That voluntarism was a sine qua non for the subsequent formation of the civil protection system and associated policies in Iceland. Furthermore, despite the fact that Iceland has prospered greatly since then, voluntarism continues to be a prerequisite for operations and policy development of the civil protection system due to the scarce resources and limited administrative capacity that comes with the smallness of the state. In 1967 a report by the Nordic countries on civil defence stressed that rescue organizations should be civic and responsible for humanitarian work to

protect citizens and be recognized by authorities<sup>1</sup> (Jörundsson 2010). Even though all Nordic countries rely on volunteers for emergency responses, it has been suggested that the formal role volunteers play in risk reduction and response is larger in Iceland than in the other Nordic countries, and that in certain aspects of emergency response the Icelandic Red Cross and its volunteers have an even larger role than the formal social services, such as in mass care and psychosocial support (Eydal et al. 2016; Van Well et al. 2018; Rapeli et al. 2018).

In this chapter we assess the Icelandic civil protection system as a co-production success, evidence by the sustenance of high levels of volunteerism and productive collaboration between civil protection authorities and volunteer organizations. The three main sections of this chapter provide insight into the formation, development, policies and results of civil protection in Iceland using the PPPE assessment framework of this volume. We then deploy McConnell's (2010) spectrum approach of degrees of success to failure on the key dimensions of programmatic process and political assessment. Our key claim is that on that spectrum, the civil protection system based on collaboration between authorities and volunteer organization and associated policymaking can be classified as a full to resilient success.

### The Anatomy of Success

The civil protection policies of Iceland fit the definition of success presented in the PPPE framework in this volume. The making and operation of these successful policies revolves around the purposeful, valued action of protecting the lives and health of citizens that depends on thoughtful and effective collaboration between the authorities and volunteer organizations that share mutual goals that benefit the nation. Thus, these policies enjoy political support as well as having reputational benefits for those engaged in civil protection. The collaboration has endured through the last century, from the initial formation of civil protection through formal agreements that cover disaster risk reduction, response, relief and recovery.

Having caused the most loss of life in Iceland through the centuries, marine accidents have been the main focus of civil protection efforts. The first civil-protection programmes were aimed at strengthening fishermen's safety by improving the working conditions on board fishing boats, providing swimming lessons and education to reduce accidents, and better preparing sailors for foreseeable accidents. These efforts have proven to be a *programmatic success*, with a marked

<sup>1</sup> The National Archives of Iceland. Ministry of Justice and Ecclesiastical Affairs. Doc. dated 29 March 1967.

decrease in fatalities that have gone from an annual average of 25 in the years 1958–1967 to just one in 2008–2017 (*Stjórnarráð Íslands n.d.*). At the time of writing (mid-2021), no fatalities have been reported since 2017 (*Morgunblaðið 2021*). Certainly, economic growth, modern technology and social change all played a part in that success, but risk reduction programmes serving the civil protection policies have also been a major factor. International organizations such as the International Maritime Organization (IMO) and the European Maritime Safety Agency (EMSA) have recognized Iceland’s marine safety performance as exceptional and consider Iceland’s programmes as both pioneering and highly effective (*Morgunblaðið 2020*).

In the sixties, scientists warned of the risks of volcanic eruptions and earthquakes and urged public preparation (*Guðmundsdóttir 2000*). New legislation enacted in 1967 covered assistance during disasters and in the seventies the planning of civil protection in communities around the country started. Since then, several programmes in the form of emergency planning, training, and so forth have been established that focus on risk reduction, response, relief, and recovery—programmes that strengthen civil protection in Icelandic society. The programmatic success of these measures is difficult to quantify, especially in regard to the reduced human toll and financial losses averted. Instead, the approach taken here is to explore the response to some of the most challenging disasters in the latter half of the twentieth century (subsequent to the enactment of the above referenced legislation) that can be viewed as stress tests for the civil protection system and its policies.

Civil protection policy is set to benefit the public in general and the cost is distributed through the tax system. Yet, since volunteers don’t get salaries for their work and finance some of their own gear to implement the policies, it can be argued that volunteers are bearing a disproportionate share of the costs. Although this may appear to be unfair, criticism has not been loud, which can be explained by the fact that volunteering is a personal choice. The employers of volunteers also make additional contributions by allowing their employees time to respond when called out for search and rescue, without reducing their salaries.

The welfare system is supposed to be a safety net that can also catch people who are harmed in a disaster. In order to equitably distribute the financial burden of damages caused by natural hazards, the Natural Catastrophe Insurance programme was established to compensate for property damaged by earthquakes, volcanic eruptions, landslides, avalanches and floods (Natural Catastrophe Insurance, n.d). This is accepted as a just system where people, regardless of risk zone, pay their share, to make it more viable to live in this sparsely populated, multi-hazard, disaster-prone country. The establishment of this insurance is a milestone in civil protection in Iceland and shows that policymaking has aimed at ensuring that the *costs and benefits associated with the system are distributed equitably*.

Programmatic success has been built upon enduring *process success*. In many instances volunteer organizations have successfully formulated policies, which either resulted in public organizations taking over specified tasks or formally delegating them to the organizations. Hence, in the policy-making process the authorities have frequently recognized and mimicked volunteer organizations' initiatives in prevention and planning and in the establishment of new professional standards and regulations.

Growing enthusiasm among the public that pushed for the formation of new civil protection policies along with the positive results of the various programmes, drove a positive feedback cycle that enabled civil protection to become a *political success*. Small polities are often characterized by close-knit social networks, informal communications, and easier access to policymakers (Baldacchino 2018; Thorhallsson 2018). In this case, the easy access to politicians and short and informal communication channels allowed for flexibility in the policy-making processes. Time and again, prominent citizens used their positions and connections with politicians to push for governmental support of voluntary civil protection initiatives. Government's confidence in its capability to take on its obligation to protect its citizens was boosted by these signs of public support which encouraged them to follow that initiative by forming new policies based on the experience of programmes developed by the volunteer organizations. Political support came from across the political spectrum, which meant that continuity of effort and support from government were independent of electoral vagaries and changes in the political complexion of governments.

The process traced in this chapter has been evolving for over one hundred years, that is, since the first planned rescue work (discussed in the next section) and thus gives a wide time span to evaluate how the civil protection policies' *performance and legitimacy* have developed over time. Notwithstanding this longevity of the civil protection saga in Iceland, the *value proposition* underpinning the civil protection system—protecting the lives and health of citizens—has been squarely and consistently maintained through the various programmes over time. The cornerstone behind the policies and collaboration between the authorities and volunteer organizations has also endured and strengthened with time. While entrepreneurs and volunteer organizations often take the initiative in developing civil protection policies, the authorities are first to reach out to ask for the formal long-term collaboration. The policies have evolved with *contextual changes*, which, in this case, involve great social change, but also with lessons learned from managing the consequences of disasters. Disaster management has resulted in performance feedback and learning based on adaptation and changes in policies. Hence civil protection policies have *endured* and become established with growing recognition and *legitimacy*. Below we unpack this general characterization and tell the story of how the policies have evolved with contextual changes and hands-on experience of responding to disasters.

## Context and Challenges

### Volunteer organizations and cross-sector collaboration

Looking at the history of voluntary organizations in Iceland, it is clear that when the Icelandic welfare state was established, and professionalization increased in some aspects of welfare services the government took over some services. However, in some areas the role of non-profit organizations is still large today (Hrafnisdottir and Kristmundsson 2012). That is most certainly the case in the emergency response system. To have full-time publicly funded rescuers on standby across the country is much too costly for the sparsely populated country. Also, Iceland does not have a standing army that could assist in disasters. As a result, the development of rescue organizations has not been influenced by the (para)military culture that is seen in many other jurisdictions.

The voluntary associations that are the focus in this chapter are two civil protection aid and assistance teams. The Icelandic Red Cross (IRC), and the National Life Saving Association (LSA), now Icelandic Search and Rescue after a merger with the National Scout Rescue Troops in 1999. The IRC was established in 1924 and LSA in 1928. The first rescue association, established in 1918 in Westman Islands, Björgunarfélag Vestmannaeyja, became a member of LSA once the latter had been established. Thus, it is included in this study because it initiated the first planned rescue work of the LSA's voluntary rescue team-members. Since IRC and LSA were established in the 1920s their roles have been continuously strengthened in regard to the tasks they have undertaken related to risk reduction, response, relief and recovery.

Icelandic entrepreneurs took the first initiative in civil protection in Iceland, followed by volunteer organizations. The first step towards formal long-term collaboration between the civil protection authorities and volunteer organizations was taken by the Director of National Civil Defence<sup>2</sup> in 1965 when he approached LSA and suggested they begin cooperating in the field of civil protection. He argued that the LSA's divisions around the country were the only organized social groups that could be turned to regarding issues of civil protection (Arnalds 2001). LSA agreed that the basis of such cooperation was obvious. After that, the initiative of volunteers and collaboration with authorities became a repeated theme from one programme to another. This can be described as an upward sloping iterative process that moves the authorities closer to their ultimate goal of protecting citizens from harm while understanding that this process is ever evolving. It is noted that the number of personnel working for the National Civil Defence agency varied from only one to five throughout the twentieth century, which indicates how much reliance had to be put on volunteer contributions.

<sup>2</sup> Now referred to as the Department of Civil Protection and Emergency Management.

Although this collaboration has been an overall success, there has been an ongoing underlying struggle within both IRC and LSA to have their work recognized by the authorities. That struggle is not just about getting more funding but also for better and more validation in regard to decision and policymaking. The contractual role given to the IRC in 1974 and the LSA in 1978, as well as their role in the agreement on the overall organization of civil protection, signed in 1986, were great validations of their position within the civil protection system (Arnalds 2001). Still, they had to push on to get their seat in the Civil Protection and Security Council, the agency that draws up civil protection and security policies. In 1996 the Ministry of Justice established a regulation stating that these voluntary associations should jointly have one observer representative on the council, with freedom of speech and the right to make proposals but not the right to vote. In June 2008 full membership was given to the organizations and thus the right to vote (2008/28). This means that it took IRC 84 years and LSA 80 years to become full partners in civil protection policymaking.

*LSA*—During the sixties, new rescue teams had been established in Iceland that were not under the banner of LSA: the National Scout Rescue Troops (*Landsbjorg*) and the Air Ground Rescue Team of Reykjavik. LSA, which had emphasized sea rescue during its first decades had then, in light of social changes, also started focusing on rescue on land. Turf wars developed between these three organizations, sometimes resulting in overt confrontations. Over time, however, they embarked on a path of collaboration which resulted in consolidation when LSA and *Landsbjorg* merged and became the Icelandic Association for Search and Rescue (*ICE-SAR*, founded in 1999). The merger brought with it various organizational improvements (Arnalds 2001).

The friction between these community rescue teams was an internal conflict within the voluntary sector. As such it did not create a rift in the collaboration with the authorities, although it has certainly complicated the collaborative process at times. There were, however, also tensions between voluntary and government organizations in the sector. A case in point is the conflict between LSA and the Coast Guard, a sub-agency of the Ministry of Justice. The LSA rescue centre had served as a management and coordination centre, often in close cooperation with the Coast Guard, when in 1985 an international convention on search and rescue took effect that directed the government to nominate a responsible party to coordinate search and rescue at sea. At that time both LSA and the Coast Guard had the necessary preparedness to serve in that role. Before the international convention, LSA had proposed a co-operation agreement between the organization and the Coast Guard and expected that the government would follow that proposal in the new arrangements. Thus, it came as a surprise to LSA when the Coast Guard wanted to be the lead agency and have sole authority to contact foreign control centres. LSA could not accept the Coast Guard's proposal that did not consider the historical leadership of the



association that had put its heart and soul into these matters for nearly 60 years (Arnalds 2001).

The government did not respond swiftly to break the inter-organizational rivalry that developed, which caused much uncertainty and unease among the parties involved. It was not until five years later, in May 1990, that the Minister of Justice signed a new regulation regarding organization of the control of search and rescue (Regulation no. 207/1990). According to that regulation the rescue centres are two: the LSA is responsible for Marine Rescue Control Centre (MRCC) Coastal which handles maritime safety service and coordinates rescue at sea and along the coast of Iceland, and the Coast Guard is responsible for MRCC Oceanic which handles search and rescue at sea. Today a joint rescue and coordination centre exists: JRCC Iceland—Rescue Centre for Mariners and Aircraft. The government's tie-breaking decision resonated most with the LSA's proposal; had it gone the other way it would have risked the collaborative climate between LSA and the government.

IRC—Governmental financial support of IRC, which began in 1925 onwards and has continued ever since can be regarded as granting recognition to its work and thus as aimed at solidifying the emerging partnership. IRC differs from LSA in regard to how much cooperation they have had with foreign actors, influencing their work. The role of the association changed considerably after the British army occupied the country in 1940 and its operations changed significantly. The Director of Health was formally asked to co-ordinate accident assistance in case of air raid on the country. Thus, already in 1940, the government asked for collaboration with a voluntary organization and IRC got a representative on the government's air defence committee, which was also a validation of its importance.

When the US army replaced the British army in 1941, an active co-operation began between the American Red Cross (ARC) and IRC. Besides the medical equipment, the knowledge and experience provided by ARC strengthened IRC considerably and helped it to carry out its responsibilities during the war (Guðmundsdóttir 2000). After the war the official role of IRC in air defence changed and in 1951, when a new air defence committee was established, the IRC was not given representation on the committee and its close cooperation with ARC was ended. These crossroads created a certain void in the IRC operations which became a struggle to fill in the following years.

During the sixties scientists began to warn of the dangers of volcanic eruptions and earthquakes and to urge the government to step up disaster preparedness. At that time the Icelandic nation was largely unprepared for severe hazards and mass accidents. Although new legislation had been enacted in 1967 that covered assistance during natural disasters, active planning of civil protection did not start until the 1970s. The IRC had engaged in frequent discussion about the importance of emergency response planning for the nation in case of national disasters and got advice in these matters from the International Red Cross (Friðfinnsson 2005).

Following these discussions and a conference of the Nordic Red Cross Societies in 1969, the IRC began to pressure the government to establish a reliable emergency system for the country. At the conference the IRC was advised not to take on public responsibility for the nation's emergency system following natural disasters, but to encourage the government to do so. In 1969, the International Red Cross sent an expert in emergency response to Iceland after a request from its Icelandic branch. Holding meetings with the Ministry of Justice, the National Civil Defence and the Association of Local Authorities, and drawing attention to the fact that the United Nations provided grants to governments to engage in such work, he encouraged the Icelandic government to improve civil defence in the country.

Thus, it was not the government, but scientists and NGOs that were first to emphasize the necessity and urgency of improving civil protection in the country, especially with regard to volcanic eruptions and earthquakes. Following the visit, the Icelandic government applied for and received a UN grant, which was used to employ an expert in emergency planning. The new expert delivered a report that proposed a general construction of a civil protection system for the country stressing the necessity of co-operation between public organizations and voluntary organizations such as LSA and the Icelandic IRC. The primary policy was recommended to be the use and co-ordination of human resources and equipment that were already available from both public and voluntary organizations (Birgisson 2008; Friðfinnsson 2005). Hence, in working collaboratively with the government, the IRC learned an important lesson from abroad on better defining its own role and on how to advocate effectively for progress in the civil protection policies of Iceland.

### Civil protection programmes: From sea to land

At the turn of the nineteenth and twentieth centuries Icelandic society had undergone little change for centuries. Fatalism rooted in pre-Christian religion was still prevalent (Aðalsteinsson 1999; Grímsson 2009; Gunnell 2015), and helped seafarers to persevere during the long period of great poverty. At the time, chronic lack of resources to prevent or mitigate accidents had not only resulted in scarcity but also in a culture of apathy. When their small communities were struck by the loss of their fishermen, people often showed unimaginable stoicism and belief in an immutable inevitable destiny determined by supernatural powers. Another obstacle was the dominance of a brand of masculinity in which a true Icelandic fisherman faced his destiny without retreating.

It was not until local entrepreneurs began to argue that more could and should be done to protect lives that volunteer organizations took on the challenge and initiated campaigns to tackle fatalism and misconceptions (Arnalds 2001). Although the focus here is on volunteer organizations, we cannot resist noting the

incredible contribution of the entrepreneur, Oddur V. Gíslason (1836–1911), who was passionate about better safety at sea. He was a minister and well experienced sailor but also wore several other hats. He preached and wrote about the need for accident prevention at sea emphasizing the need for swimming skills, about the use of fish oil and other oil to calm the surf and about ballast. He established rescue committees in most fishing districts around the country that were forerunners of the accident prevention committees, and even designed rescue tools that were successfully used by fishermen. Despite his huge efforts for improved safety and his financial sacrifices he had to suffer criticism from his fellow citizens for being too much of an attention seeker. Telling of his importance is that when he decided to leave the country—exhausted and in search of a better life for himself and his family—the work on improved safety measures came to a halt for several years (Arnalds 2001; Benediktsson 1982; Magnússon 2017).

Campaigns can certainly be looked at as programmes that aim at changing the mindset, beliefs and attitudes of people in order to make them modify their behaviour and are, as such, a challenging part in the development of successful civil protection policies. Between 1880 and 1930 approximately 70 fishermen on average drowned each year, with an average fatality rate of 0.7 per cent among all fisherman during that time (Magnússon 2017). This might not sound like a high number, but for a fisherman working 30 years it equals a 20 per cent chance of death. Accidents were much more frequent than in the neighbouring countries. The fatalities were, for instance, around tenfold compared to Norway where conditions for fishing were similarly difficult. The Medical Director of Health urged Icelanders to face the fact that it was their lack of prevention and preparedness that was also to blame for this huge loss of lives (Arnalds 2001).

The year 1918 was a key turning point. It marked the first planned rescue work but also saw extraordinary circumstances challenging the safety and security of citizens and posing a serious test to the political legitimacy of the Icelandic authorities. The year began with the coldest winter of the twentieth century, referred to as the Great Frost Winter, blocking the fjords and trapping fishing vessels in the harbours. In October the volcano Katla erupted, spawning a Netflix mini-series, spreading ash, and triggering glacier-river floods that poisoned crops and killed livestock. A week after the eruption started, the Spanish flu virus was brought ashore, eventually claiming 540 lives (in a population of 91,368). Finally, on 1 December 1918, Iceland gained independence from Denmark, which, in light of the gloomy circumstances at the time, was celebrated in a low-key manner (Grimsson 2009). It had been a year in which major volunteer efforts had been needed in caring for the sick and feeding the hungry. Healthy people and those who had recovered signed up to volunteer for the health commission and at hospitals, assisting doctors, nurses, and public health officials (Bjarnason 2020).

The challenges of the newly independent nation were tremendous and there was criticism of what was perceived as government's hesitancy to build emergency

preparedness capacity. Moreover, the triple crises of 1918 shed light on social problems, the poor living conditions of the working class and the housing shortage (Bjarnason 2020). With its newly acquired jurisdiction, the government had to take on the role of protecting its citizens to prove its legitimacy as a government of an independent nation. The year 1918 in effect became a prelude to the way in which the authorities have since played that role, that is largely by *sharing responsibility* and *collaborating* with volunteer organizations in preparing for and responding to disasters.

This chapter goes on to describe some of the most significant milestones and signature programmes in the development of the civil protection system. These programmes have usually been evolving for years or decades, before being fully institutionalized and incorporated in the architecture of the evolving system. They were formally established during the last four decades of the twentieth century, but in order to understand their origin and development it is necessary to trace their roots further back in time. Civil defence legislation was enacted in the 1960s and thus a formal civil protection system began to develop. For the programmes discussed, disasters are included that reflect stress tests of the civil protection system and provide opportunities for learning; adaptation and change. Thus, let us turn to the year 1918, as the year when it all started with the first planned rescue work which set a mould for the establishment of the roles for volunteer organizations.

### The first planned rescue work—1918

The first planned rescue work began with the establishment of the voluntary rescue association in Westman Islands, Björgunarfélag Vestmannaeyja (BV). Its aim was to buy a rescue ship to provide better safety for seafarers. Extensive loss of fishermen and boats in the previous four years evoked enthusiasm among the islands inhabitants to support this initiative. BV received a grant from the national treasury for the purchase, which amounted to one-third of the price. Furthermore, extensive fundraising was executed both in the Westman islands and in the capital, Reykjavík. In 1920, BV bought the Danish trawler Thor, and turned it into a rescue ship. In addition to the rescue work it was meant to provide surveillance in the territorial waters around the islands (Bjarnason 1931).

The financing of the Thor and its operation turned out to be too much of a burden for the rescue team of the small island community. After several attempts, the board of the BV was able to convince the government to use the Thor for coast guarding during summertime in their attempt to alleviate some of the costs of operating the ship. In 1922 the government decided to use the vessel to monitor herring fishing in the North. Several foreign vessels engaging in illegal fishing and aggressive behaviour were tracked and seized, demonstrating the added value of this privately owned resource (Björgunarfélag Vestmannaeyja n.d.).

Most of BV's rescue efforts were dedicated to monitoring ships in bad weather. It is estimated that BV searched for boats about 80 times during the period it operated the Thor (1920–1926) and about half of those boats, with 200–300 people, were helped to reach harbour (Bjarnason 1931). During this period, the population of the Westman Islands went from 2,294 to 3,331 (Statistics Iceland n.d.), so in effect ten per cent of the population on the islands received assistance in BV's efforts during those six years, an impressive proportion. The BV board repeatedly tried to persuade the government to take over the ship's operations. Agreement was reached in 1926 when the government bought the ship and agreed to provide to the Westman Islands, rescue and surveillance during the winter seasons. The fact that Thor had also proved its worth as a patrol ship and had been much more efficient in its surveillance work than the Danish battleships helped the government to make the decision to take responsibility. The Icelandic Coast Guard utilized this experience of surveillance. Björgunarfélagið also became an encouraging example for the establishment of the Icelandic Accident Prevention Association (Björgunarfélag Vestmannaeyja n.d.).

### A breakthrough law for safety at sea—1968

The Announcement Obligation of Icelandic Ships (AOIS) that was established formally in 1968 is believed to be one of the most significant contributions of the LSA. This was a pioneering work about which Icelanders have since shared their experiences and information with other nations. The formulation of AOIS tells a story of the collaboration between the association and the authorities and how it resulted in protection policies. Before the days of satellite communication, ships were at sea days or weeks without any contact with people on land. Incidents where fishermen drifted for days without help were a serious wake-up call for Icelanders. Grave accidents occurred where ships in the vicinity could have come to the rescue if only they had known about it and the exact locations of the ships that were in harm's way.

The Accident Prevention Association had already begun operating safety stations with radio communications. Yet the telecommunication was not used to its fullest to strengthen the security of seafarers. The association discussed this need frequently and pushed it on the agenda. In 1963 a resolution was approved at the Icelandic parliament (*Alþingi*) to explore the possibility for daily monitoring of Icelandic fishing ships. This exploration was to be done in cooperation with LSA. In 1968 a regulation about AOIS was set which followed the LSA recommendations thoroughly and confirmed that the government entrusted the association to operate AOIS.

The reception of notification started the same year and at the end of it nearly 500 ships had started participating. In the first half of 1970 that number was up to

675 ships out of a national total of 820 radio-bearing ships. In cases when crews failed to notify their whereabouts, AOIS sent out an announcement as a part of the weather reports at the National Broadcasting Service where the specified ship was asked to call in. Law on AOIS was passed in 1977 when, as phrased by the MP Pétur Sigurðsson, who presented the bill, AOIS had many times proven its value under the control of LSA (Arnalds 2001: 218). Sigurðsson had worked at sea for 20 years, which gave him a good understanding of the need for better safety for the fishing fleet around the country. According to the law, the government paid for the operation of AOIS. Incorporating rapid technological advances, AOIS activities became more and more sophisticated. An important phase was reached when it was computerized in 2000, allowing for automatic notification. The software development and other technologies for AOIS were pioneering efforts. In 2004 responsibility for operating AOIS was moved to the Icelandic Coast Guard, a sub-agency of the Ministry of Justice.

### A catalytic eruption—1973

The volcanic eruption in Westman Islands in January 1973 turned out to be an important milestone in the development of the civil defence in Iceland as well as for the role of volunteer organizations in it. Various geoscientific observations had been made on this active volcanic area but no preventive measures had been made as, for instance, to divert probable lava from homes or the harbour. Fortunately, evacuation plans had been made that turned out to be crucial for the islanders when the volcano began erupting.

The entire community, approximately 5,000 people, was evacuated from the island and shipped ashore. The willingness of the volunteers to coordinate their rescue efforts and successful improvisation in counteracting the eruption demonstrated that taking timely and coordinated action enhanced human ability to confront the natural forces, further eroding the fatalist belief system. It also offered proof of how important it was to have the volunteer organizations to rely on in times of disasters. People's belief in preparedness measures for disasters was rekindled in the wake of the eruption. This enthusiasm sped up emergency planning preparation work for various kinds of disasters around the country.

It is difficult to anticipate how civil defence would have developed in the country without the Westman Islands eruptions. It became quite clear how well the IRC was prepared for response to disaster situations. The IRC also provided financial assistance to former inhabitants, raised funds from local Red Cross branches and the general public. It was quite clear that private companies, community organizations and civilians alike trusted the Red Cross to use their contributions for the victims in a productive way (Guðmundsdóttir 2000). The Red Cross used the funds to buy houses on the mainland for victims. When some former inhabitants

chose to move back to the island, the houses were sold and the proceeds were used in restoring social services in Westman Islands by establishing a day care centre for children and a home for the elderly.

Although, there was general satisfaction with and trust in the services of the IRC, there were conflicts inside the movement on how to best organize recovery operations, particularly about the division of work between the state, the municipality and the IRC. Some members of the Red Cross board thought that the organizations were taking on the responsibility of the municipality and the state by founding a day care centre and home for the elderly. Some others thought that the assistance provided had continued for too long and had been unnecessarily generous. However, these struggles were solved, and agreement was reached in the association ([Guðmundsdóttir 2000](#)). This disaster posed a real test of the capabilities of the volunteer associations. By successfully providing the needed help and services asked of them, these organizations managed to enhance their reputation and increase their public legitimacy.

### Establishing the fishermen's accident prevention school—1985

Right from the beginning of LSA's operations, education and training played an important part in serving its original goal to prevent and respond to accidents. And there could be no more delay in providing swimming lessons to Icelanders. It was believed that with proper swimming lessons the loss of 35 fisherman between 1928 and 1930 could have been prevented. Beside limited resources, the fatalistic perspective had become an obstacle—but also the fact that some people were against swimming lessons due to the belief that the ability to swim would only prolong the death war of drowning fishermen ([Arnalds 2001](#)). Thus, again LSA had to go against belief and attitude that was blocking the path to prevention and better civil protection. The whole story of the educational activities is fascinating, but we shall leap forward to the year 1985 when the Fishermen's Accident Prevention School was established. Despite progress in the construction of boats and development of rescue equipment, marine accidents were frequent and seamanship still the riskiest occupation in Iceland. Between 1976 and 1980 the probability of annual accidents was 8.6 per cent within trawling while it was on average 1.3 per cent within other occupations. The accidents were, for instance, four times more frequent than in Norway. In 1984 five hundred accidents liable for compensation occurred, plus several accidents that were not registered ([Arnalds 2001](#)).

The first safety course was held in *May 1985*. Well experienced captains on freight ships and trawlers with up to 40 years' working experience attended the course that provided a good precedent for others. With a special school ship provided by the Minister of Finance a valuable step was taken forward. The Minister

of Transportation recommended that the course be offered around the country in the main fishing towns based on the same principals as the LSA courses that were held in Reykjavik, and should be financed by the government. Immediately after the ship started to sail, the school was warmly greeted and received gifts in every harbour. The school ship had a social significance, it was a very present factor and had a stimulating effect on activities (Arnalds 2001). Today it is referred to as the Maritime Safety and Survival Training Centre. Its goal is to promote safety and survival training for seamen by operating a comprehensive training centre in full accordance with Icelandic and international standards. According to national law, it is mandatory for all seamen to attend courses there' In 1998 the Icelandic government donated a ship to ICE-SAR to be used by the centre. (Landsbjörg n.d.). The interplay between LSA, ministers and other stakeholders in the development of the school is a witness to the creativity and care that has brought it a valuable legitimacy. Today, no seaman can work at sea without having a licence from the centre, an arrangement that has certainly played an important role in the decrease of accidents at sea.

### Another catalytic crisis—1995

The civil protection system was tested during the 1995 rescue operations in response to avalanches that struck two villages, Súðavík and Flateyri, in the West-fjords, nine months apart and claiming 34 human lives. These disasters were a proof of the importance of having trained local residents as many of them were forced to temporarily take responsibility for decision making and oversee field operations until outside aid arrived. As in several other small communities around the country people had had training as members of rescue teams. This was vital in determining how quickly the local residents were able to adapt to the organization of the rescue efforts following the avalanches (Bernharðsdóttir 2001).

For the first time in civil protection history, post-traumatic psychological support was administered on a mass scale in the responses to the Sudavik avalanches. Prior to the disaster such therapy had merely been introduced to several rescue teams and the IRC and it was clear from the Sudavik's experience that there was an urgent need to better organize such operations. Some frictions appeared between the Reykjavik District Hospital and IRC regarding their contribution to the crisis help. The former wanted to emphasize that professionalism was on their side, but IRC had provided psychological first aid and psychosocial support in former emergencies (Bernharðsdóttir 2001, Birgisson 2008). Year-long discussion on the future policy resulted in a comprehensive plan for psychosocial support provided to the public in times of disasters that was based on lessons learned from this experience but also on the experiences in responses to earthquakes in 2000. This plan was ratified in 2008 (Thordardottir et al. 2018).



The avalanche disasters made it clear that the preventive regime was inadequate. New avalanche risk assessments in high-risk avalanche zones were needed. Since then, great mitigation efforts have been made by building defence structures to divert avalanches from communities. At the time of writing, several additional deflecting walls still need to be constructed around the country, as dramatized by an avalanche in Flateyri in January 2020 even though construction of a deflection walls had been planned to have been completed by late 2010. Harshly criticized, the government learned from the post-disaster pressures for improvement that it needed to accelerate the mitigation measures.

### **Agents of Change: Public Leadership**

In the development of civil protection, it becomes salient how prominent people in the Icelandic society exerted their influence for the cause and how it was regarded as a position of honour to lead the volunteer organizations. The Medical Director of Health, Guðmundur Björnsson, was greatly concerned about accidents at sea and pointed out how many sailors drowned near land because there were no lifeboats or other life-saving appliances. He urged people to seek solutions and his lectures had an important role in raising awareness about the issue. Similarly, the main promoter of establishing the IRC was Sveinn Björnsson—then current ambassador in Denmark, later the first president of Iceland. Interestingly, the first chairmen of the IRC were doctors that had a very prominent status in society (Guðmundsdóttir 2000). Undoubtedly, these well-respected and well-connected individuals had good access to politicians and used it to wield influence on civil protection policymaking.

The story about how the community in Westman Islands established the first rescue team in the country and managed themselves to finance a rescue boat, gives a valuable insight into the interplay of several actors and stakeholders around this work that can be looked at as the sprouts of the civil protection system in Iceland. Interplay continued between different actors and stakeholders at local and national level through the early build-up of the civil protection system. It was the county committee in the Westman Islands that in 1914 challenged the parliament to financially support the purchase of a rescue and surveillance ship. It was a member of parliament, Karl Einarsson, who was also a representative of the Westman Islands who lobbied for the grant that was finally approved by a parliamentary resolution on 11 June 1918. He then invited several islanders to a private meeting to discuss the establishment of the rescue association with the aim of purchasing a rescue ship and beginning the necessary fundraising. The interim board officials were, including him, five other prominent men in the community. The board decided to send one of its members, the pharmacist, to consult with the government and the board of the Fishing Association regarding the preparation

for finding and buying the rescue ship. He was well received and got all the information he sought (Björgunarfélag Vestmannaeyja, n.d.).

Local community leaders thus had direct communication with government members and public organizations to seek support. Sometimes, clever fundraising strategies were deployed. For example, the first inhabitant in the Westman Island to contribute to the rescue-ship fund was the local priest, a man not rich in worldly wealth. The local people did not want to fail him or the community, so they followed his initiative, while the local pharmacist stayed in Reykjavik for several weeks to raise money from there. The first one to write his name on the fundraising list was a prominent MP and those who followed him did not want to contribute any less than he did (Björgunarfélag Vestmannaeyja, n.d.). These informal and short communication channels are often seen in the policy and decision-making processes in Iceland and are characteristic of small states.

### Conclusions: Challenge, Trial, and Improvement

This chapter argues that the story of the development of the civil protection policies in Iceland, as demonstrated by its results, is a story of success. Those policies fit the definition of success presented in the PPPE framework in this volume. They are driven by the purposeful and valued action of protecting the lives and health of citizens. The policies have enjoyed non-partisan governmental support through history as well as the active support of prominent citizens which gave them extra political weight and reputational benefits for those participating in them. The political power of the volunteer organizations has also strengthened through time which becomes salient in the authorities' decision to grant them a seat at the Civil Protection and Security Council where the government policy on civil protection and security is drawn up for three years at a time (Almannavarnir, n.d.).

Initial policies were formulated in a small and poor society and have endured and evolved through historical, institutional and political changes over the last century. Despite the inevitable peaks and troughs that occur in any programme or activity of such long duration, the role of the constituent organizations of Iceland's civil protection system has, overall, been reinforced. The frequent occurrence of disasters has served as a constant reminder to the public and the politicians of the importance of vigilance and robust capability. This chapter argues that the Icelandic civil protection policies are successful due primarily to the shared goals and cooperation of the authorities and the voluntary organizations. We suggest that formal contracts with trusted local voluntary organizations should facilitate best uses of resources and cooperation in risk reduction especially in a small and sparsely populated country. This seems to be the case in Iceland. Robust collaboration is needed into the foreseeable future due to the lack of resources and administrative capacity that comes with the smallness of state.

This story about the development of civil protection policies in Iceland is one of challenge, trial, effort, learning and—over time—resilient success. The biggest challenge in the founding period was to make people believe that consequences of disasters could be mitigated. The Westman Islands disaster in 1973 provided a circuit-breaker for the hitherto dominant fatalism. The experiences show how important it is for improvement of civil protection policies to institutionalize lessons identified in a response before the focus of policymakers shifts to other problems. The frequent disasters in Iceland certainly keep alerting policymakers and are thus an impulse for continuous learning in civil-protection policymaking. A case in point shows how the responses to the avalanches in 1995 revealed the need for a comprehensive plan for psychosocial support which could be provided to the public in times of disasters. The efforts of policymakers to finalize such a plan received an extra push with new experiences of responses to the earthquakes in the year 2000. Another push came in the wake of the Eyjafjallajökull volcano eruption in 2010 with the experience of first aid care offered to those affected by the eruption, which showed a necessity to revise the plan that was done in 2010. These changes of policies based on lessons learned were successful in programmatic as well as political terms. For example, the measured satisfaction of the receivers of psychosocial help from 1995 to 2010 went from 53 per cent in the year 1995 to 68 per cent in 2008, to a healthy 82 per cent in 2010, reflecting the impact of considerable improvement in psychosocial policymaking and capacity-building (Thordardottir et al. 2018).

The twenty-first century has brought a new array of challenges to civil-protection policymakers in Iceland. In 2008 Iceland became the biggest casualty of the financial crisis that affected most Western societies in the world, followed in 2010 by the eruption in Eyjafjallajökull that paralysed air traffic across the world. The eruption sparked the interest of tourists who could also travel cheaper to Iceland than ever before due to the devalued Icelandic currency. In a few years the annual number of visitors became many times greater than the Icelandic population. This situation has demanded new approaches in civil protection to take into account the large number of tourists. During the global COVID-19 crisis, a series of earthquakes and eruptions have been quite challenging, and when COVID-19 travel restrictions were lifted a sharp increase in tourism occurred. Again, an eruption evoked interest and at the time of writing (summer 2021), the first-ever search and rescue operation of ICE-SAR has involving a missing tourist at the eruption site—a reminder that no time can be lost in improving the safety of tourists visiting Iceland. Hence, with new developments and new challenges, civil protection policymaking is an ongoing process with an ultimate goal that can never be reached. Hopefully, this chapter bears witness that despite these difficult challenges there is no reason to lose heart, but rather look at and learn from what has been accomplished.

## Questions for discussion

1. What can you learn from this case about co-production between voluntary organizations and public authorities?
2. How likely is this co-production to be a success in the future?
3. What factors are necessary to develop an effective collaboration between civil protection authorities and voluntary organizations?
4. How can voluntary organizations compensate for official resources and what are the pros and cons of this compensation?
5. What might be the scope and importance of public leadership in small as opposed to large communities and jurisdictions?

## Links to online resources

Department of Civil Protection and Emergency Management: <https://www.almannavarnir.is/english/>.

Icelandic Association of Search and Rescue:

<https://www.landsbjorg.is/icelandic-association-for-search-and-rescue>

Icelandic Red Cross:

<https://www.raudikrossinn.is/english/>.

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# Towards an Icelandic Sustainable Energy System

## Relying on Domestic Renewable Energy

*Brynhildur Davíðsdóttir*

### A Story of Persistent Commitment

This chapter tells the story of how Iceland, seemingly without a formal and a holistic policy package succeeded in transitioning to large-scale use of renewable low carbon energy, which now has culminated in a policy agreed to by members of all political parties aiming to fully transition to a 100 per cent renewable energy economy. The case illustrates gradual but persistent change in the same direction due to largely unwavering political commitment since the beginning of the twentieth century, to harness domestic renewable resources by Icelanders for the common good of the Icelandic people.

Unlike most countries in the world the Icelandic energy system is mainly driven by domestic renewable energy, with an over 85 per cent share of renewables in primary energy supply in 2020 (Orkustofnun 2021). This share of renewables in primary energy supply is one of the highest in any national energy budget of a developed economy (International Renewable Energy Agency, n.d.). Electricity is generated almost exclusively (over 99%) from the utilization of domestic renewable energy resources (Orkustofnun 2019b). The same applies to space heating, where 96 per cent of heat for heating houses is derived from geothermal energy (Orkustofnun 2019c). The primary energy sources are largely geothermal energy and hydropower. Other renewable energy resources, such as wind, are not exploited to any real extent, although there are expanding plans to do so in the future.

The development of the Icelandic energy system towards over 85 per cent renewables is marked with three somewhat distinct transitions, dating back to the end of the nineteenth and the beginning of the twentieth century (Davíðsdóttir 2007). The first transition lasted approximately 40 years, from 1900 to the 1940s. At the beginning of this time-period, renewable resources, peat and dried

sheep dung, were the most widely used fuels in Iceland, for cooking and heating. Horses provided transport and natural hot springs were used for bathing and washing. Geothermal heat was first used in 1908 for heating houses, and the first hydropower turbine began operating in 1904. Large-scale use of geothermal and hydropower energy for electricity and heat did not take place until later, but during this era the tone was set for prioritizing domestic energy resources for electricity generation for the public good.

At the end of WWII geothermal and hydropower provided about 16 per cent of the country's primary energy supply with the remainder fulfilled mostly by coal. The second transition began during WWII, with a shift from the use of coal to oil and renewable energy. This shift was largely driven by energy security concerns as well as by environmental pressures and desire for economic development. During this era the national electricity system was developed, centred on hydropower and operated by public entities. Simultaneously, the Icelandic fishing fleet was mechanized, and private vehicle ownership increased, significantly increasing the use of oil. Oil, in addition, had in many cases replaced coal as a heating fuel, due to environmental pressures and occasional scarcity of coal (Ísleifsson 1996, 2007). By 1965, close to 70 per cent of total primary energy supply in Iceland was imported oil, marking the end of the second transition.

The third transition lasted from 1965 to 1980. During this era the development of the electricity grid continued, with a focus on extending the grid to all rural areas and on large-scale hydropower development for energy-intensive industries. Furthermore, the oil crisis and escalating price of oil, drove a shift towards large-scale use of geothermal energy for house heating (Þórðarson 1998). In 1980, over 70 per cent of primary energy supply in the country was met by either geothermal energy or hydropower, with both the electricity system and heat system largely reliant on domestic renewable energy. This third transition eventually led to the current state of affairs where over 85 per cent of total primary energy supply (TPES) is of renewable origin, with only transport and the fishing industry, as was the case in 1980, still largely depending on fossil fuels.

The fourth transition has begun recently. In late October 2020, Iceland's Minister of Tourism, Industry, and Innovation proposed a new long-term holistic energy policy for Iceland, called 'A sustainable energy future; an energy policy to the year 2050' (Cabinet of Iceland and Ministry of Industries and Innovation 2020). The policy document resulted from a two-year effort of a diverse committee that contained representatives of all political parties and selected ministries and was agreed to by all committee members without reservations. An action plan with first steps identified, has also been produced. The vision statement for the policy describes Iceland as a 'land of clean energy' where the aim is to fully divest from the use of fossil fuels, and only rely on renewable energy by 2050 (Cabinet of Iceland and



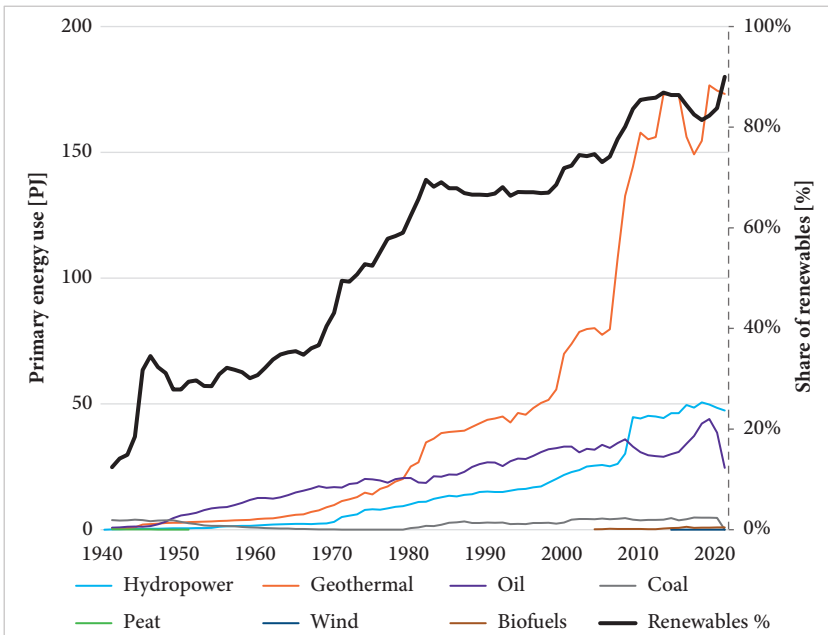


Fig. 17.1 Primary energy use in Iceland from 1940 to 2020.

Solid lines illustrate total primary energy use by energy type. The bolded line shows the share of renewables in primary energy use

Source: (Orkustofnun, 2021).

Ministry of Industries and Innovation 2020). Given the earlier success of the prior energy transitions which led to large-scale use of renewables, it may be surprising that this newly proposed policy is the first consciously crafted holistic energy policy in Iceland, and for the first time a holistic national energy policy document proposes a complete transition to renewable energy.

### A Policy Success?

The success of the transformation of the Icelandic energy system is evaluated using the PPPE Framework, identifying programmatic, political, process success and endurance (Compton and 't Hart 2019).

#### Programmatic success

The evaluation of programmatic success rests on if the end goal of the intended transformation has been reached, and if the transformation has resulted in notable

social benefits. Upon examining the development path of the Icelandic energy system, as measured through the use of primary energy (see Figure 17.1), its programmatic success is clear. As stated at the beginning of this chapter, primary energy in electricity generation is 99.9 per cent renewable relying on domestic resources as was the intention from early on. In terms of generation of heat, over 96 per cent of all heat for heating houses is derived from renewable resources, either through direct use of geothermal power, or indirectly through electric heating, which in turn is derived from domestic renewable energy.

The national economic and social benefits of the transformation are without doubt significant and can, for example, be measured in cost savings per household of relying on direct geothermal heat for heating houses. The federation of employers in Iceland have assessed that compared to the average energy mix used to heat houses in OECD countries, each household in Iceland saves approximately 5,200 euros per year in heating expenditures (Federation of employers, personal communication). The environmental and health benefits are also considerable as, for example, the use of geothermal energy instead of coal for house heating significantly reduced air pollution in the capital, Reykjavik (Fridleifsson 2001). The use of renewables has also led to reduced GHG emissions. For example, if Iceland relied on the energy mix used on average in OECD countries to heat the Icelandic housing stock assuming same demand for heat, greenhouse gas emissions would increase by 3.2 million tons adding 67 per cent to the Icelandic carbon budget in 2019 (excluding emissions from land use, land use change and forestry (LULUCF), (Federation of employers, personal communication).

### Political success

Currently, all sides of the political spectrum agree on the aim of the new holistic energy policy, and all political parties had a seat at the table when the new policy was agreed to. As the development towards using renewable energy began, the initiative was not a conscious government initiative, but rather driven by self-organizing by farmers who understood the nature they were dealing with, and by local 'urban' entrepreneurs who had experienced first hand how it was possible to harness local renewable energy for the common good. Local authorities early on sought the use of renewable energy to illuminate the sole urban area in the country at the time after careful consideration if local renewable energy was preferred to imported fossil fuels. After the national government stepped in, the 'why'—the aim to use local renewable energy while developing the energy system—was no longer a matter of much debate. The debate instead focused on the 'how' of financing and organizing the energy system. The robustness of cross-spectrum political support is evident by the fact that over time multiple governing coalitions all signed on to

the aim of working towards an Icelandic energy system fully based on domestic and renewable energy resources.

### Process success

The assessment of process success is somewhat more complicated as the path to where the nation is today was not clearly planned from the outset. A holistic energy policy did not exist until 2020, but upon reviewing the journey, it is clear that decision makers succeeded in making decisions along the way that collectively led to a successful end point. At times the decisions were not necessarily made in response to a conscious aim as described by a specific policy or a long-term plan but were rather shaped by external events such as two world wars and the oil crisis. Procedural justice was observed to the extent that the nation was allowed to regularly voice its opinions from the beginning. Also, there was plenty of space for bottom-up initiative: electrifying the country, at the outset largely using renewable energy, was the result of collective action by farmers in rural areas and local governments, as initially the national government did not consider it as its duty to secure access by all to high-quality energy. It was not until electrification was already on its way that the national government stepped in.

The absence of the national government from decision making in the early days of harnessing renewable energy resources may in fact have contributed to the strong programmatic performance as people around the country utilized what was at their disposal, the energy embedded in the country itself, rather than imported fossil fuels. Real national opposition to widespread utilization of renewable energy did not emerge until environmental and nature protection was brought to the forefront in the 1970s. Early on those concerns and actions, led to changes in national aims. It was not until much later, or in the twenty-first century in the era of megaprojects for large industrial users, when the nation had already developed its electricity and heat systems that procedural justice was compromised (*Morgunblaðið* 2001). Early efforts to ensure that nature protection was featured in decision making regarding new energy development sites and partially in response to this creeping encroachment of a more business-oriented approach that a multi-criteria system called the master plan, was developed (see *Rammaáætlun*, n.d.).

In the currently pending fourth transition, procedural justice both in terms of policymaking and implementation, benefits from the adoption of an inclusive all-party policy-crafting process design. Furthermore, the transformation itself, for example in the transport sector, is not prescribed—there is leeway for technologies of choice to emerge bottom-up. In that sense, the process has come full circle: as in the early days of developing the Icelandic energy system, it is the collective action of individuals that (co-)shapes the path towards renewable energy.

## Endurance

Adding endurance to the analysis reveals the consistency of the aim over 100 years, solidified by accumulated evidence of its benefits. Despite world events such as two world wars, the aim to build a society that relied on domestic renewable resources—then referred to as ‘the white coal’—remained the same (Ísleifsson 1996, 2007; Kristjánsson 1997). The development was gradual, with electrification based on hydropower taking place first, the build-up of domestic district heating second with electric heat in cold areas which was then used as a reason to continue hydropower development and the development of the electric grid. The consistency most likely resulted from the repeated comparative analysis of economic costs and benefits associated with different energy sources, the need for modern energy, and the continued reminders of not only the financial but the social and environmental benefits associated with the use of domestic renewable resources. With the overall aim firmly locked in, adjustments were made to the path to renewables as more was learned about the system and what was the most cost effective and efficient. For example, initially the energy system was fragmented, where each farmer and town had their own electricity generator, but over time this was shown to be inferior to a centralized system. At that time the national authorities stepped in and established a national company to build the national electricity grid that enabled all that could, to connect to it. The process towards geothermal energy was slightly different as large-scale use of geothermal energy did not take place until district heating systems were created to respond to price hikes and shortages of coal, and then later to respond to the oil crisis of the 1970/1980s. Local governments enabled access to geothermal heating and the national government assumed the risk of geothermal exploration, but where this was not possible the national government provided subsidies for the use of electric energy for house heating.

The case study presents a story of a poor nation which out of necessity, combined with deep understanding of the power of nature, successfully forged a path towards a largely sustainable energy system that relies on domestic renewable energy which is the aspiration of the rest of the world.

## The Development of the Icelandic Energy System

Iceland is an island in the Atlantic Ocean, positioned on the mid-Atlantic ridge. The climatic, geological and meteorological conditions in the country have endowed the country with an extensive supply of low-carbon renewable energy resources, including hydropower, geothermal resources and wind. Since 1900, Iceland developed from being a poor underdeveloped country that relied on low-quality energy resources to an affluent and highly developed country that has high per capita income, and access to affordable, modern and renewable energy for all.

## 1900–1940: Early steps

Picture Iceland, and in particular its capital in the late nineteenth century. The capital was a small village, the inhabitants were poor, and during winter it was dark and cold both outside and inside. People heated their homes and cooked with peat or coal. The capital lacked a proper sewage system, and there was close to a complete absence of proper waterworks which caused outbreaks of various communicable diseases. Few owned kerosene lanterns which were used to illuminate homes, which then were used as well to navigate the dark streets of Reykjavik, the capital (Ísleifsson 1996, 2007; Zimsen 1952). The vast geothermal resources in the country at the turn of the century were primarily used for bathing and washing (Björnsson 2007; Þórðarson 1998).

It was with this dark backdrop that a few foreign-educated Icelandic entrepreneurs dreamt of bringing modern times and social development to Iceland and to Reykjavik. They brought ideas and business proposals to city officials to illuminate the city with electric lights. Two sources of energy competed for attention: the use of hydropower to generate electricity to illuminate the city and the use of imported natural gas both to be used for cooking and illumination. Proponents for the use of hydropower to generate electricity illustrated that it was more cost effective compared to other options, and the resource was available in the back yard of the city. Despite the approval by the city council to harness hydropower in Elliðaár river, in the end a natural gas station was built and as it opened the gas was used for cooking and for illumination—turning on city lights in Reykjavik in 1910 (Ísleifsson 1996, 2007).

It has been speculated that pressures by influential women in Reykjavik were the reason for the gas station being built as they understood the difficulty associated with cooking with peat, and the need to transition quickly to more stable and higher quality cooking fuels (Zimsen 1952). Those that preferred electricity to illuminate the city protested this use of imported energy, and argued that the use of hydropower was cleaner, more cost effective and a more permanent energy resource (Ísleifsson 1996, 2007). During the first decade of the twentieth century houses in Iceland were primarily heated with peat, but some interest was in the use of geothermal energy for this purpose. Despite the fact that geothermal energy was used for the first time in 1908 to heat a home, lack of know-how, drilling equipment and the then need to pipe the warm water long distances using pipelines stalled further widespread development (Björnsson 2007; Þórðarson 1998). As a result, the nation shifted in the first four decades of the twentieth century to the use of coal to heat homes, in addition to the conventional use of geothermal energy for bathing and washing laundry.

Interest in geothermal energy for heating houses increased after the First World War when the shortage of coal resulted in punishing prices. For example, in the south of Iceland, where geothermal energy is abundant, a few houses began to be

heated by it, in addition to a few regional schools that were built in favourable locations for geothermal energy use (Björnsson 2007; Þórðarson 1998). Larger-scale use of geothermal energy for home heating did not emerge until after 1930, and then primarily in Reykjavik. Distribution of hot water began to approximately 60 houses, two schools and the national hospital (Björnsson 2007; Þórðarson 1998).

The development of geothermal energy was in the hands of individuals who had direct access to the resource through, for example, land ownership, and a matter for local governments, who also had land holdings. What stalled build-up of the use of geothermal energy when approaching 1940 was access to capital. This became a political issue of note in the interwar period. For example, the local elections in Reykjavik in 1938 centred on which party would be able to deliver geothermal heat to the city and thereby well-being and cleaner air (Björnsson 2007). The debate did not focus on whether geothermal energy should be used for heating homes, but rather which party would be able to deliver it by securing a loan for the development. While the use of geothermal energy for domestic heating grew slowly, geothermal energy was used more intensively by business for activities as diverse as horticulture where vegetables and flowers were grown, baking, soap-making, drying fish and wool and making cheese. Balenology, or the therapeutic use of thermal and mineral baths began during this time-period as well (Björnsson 2007; Þórðarson 1998;). The use of geothermal energy for electricity generation did not commence until after the Second World War, but this multi-faceted use of geothermal energy early in the twentieth century laid the foundation for the subsequent cascading use of geothermal energy.

Despite the increase in the use of coal for house heating, interest in using hydropower for electricity generation remained. During this first decade of the twentieth century the first hydropower plants were built in Iceland, the first one in Hafnarfjörður in 1904. All were small, privately owned and distributed around the country. As development of hydropower began, foreign capital was brought in with the help of locals, demonstrating the early interest in investing in Icelandic energy resources. Responding to this influx of foreign capital, the so-called Water-fall law (*Fossalög*) was passed in 1907 that effectively stated that only Icelandic residents and companies that were majority owned by Icelanders were allowed to harness the Icelandic waterways. Furthermore, the law stipulated that the state was allowed to appropriate waterways for electricity generation, but only when doing so was demonstrably for the common good of all Icelanders (Kristjánsson 1997). This set a public interest tone which remains salient to this date: harnessing the energy resources was to benefit the nation as a whole and neither for direct private nor foreign gain.

Access to electricity was seen as a prerequisite for economic and social development, increasing demand for electrification and thereby further development of hydropower. Despite an increase in electricity generation by small fossil fuel driven generators, the choice of hydropower as the energy source of choice was

rationalized by increase in the price of fossil fuels and reduced energy security associated with the need to ship fossil fuel supplies to the country. In 1917 the largest hydropower plant at the time was built in Seyðisfjörður, and the capital Reykjavik got its own power plant, the Elliðaár hydropower plant, which was built in 1921 and operated by Reykjavik Electric (Ísleifsson 1996, 2007; Kristjánsson 1997).

Despite the enactment of the Waterfall law, foreign capital continued to be brought into the Icelandic hydropower industry. This led to the enactment of the water law (*Vatnalög*) in 1923 which effectively stated that Icelandic hydropower was the sole property of the Icelandic nation. It also stipulated that small hydropower plants could be built at the discretion of the owner of the river; however, if a large hydropower plant (defined as larger than 500 hp) was to be built, a special permission was required from the Ministry of Industry. Furthermore, to secure access to electricity by the locals, it became a requirement that the residents should be given access to electricity from the power plant (Kristjánsson 1997).

Harnessing hydropower should be done by Icelanders, for the benefit of the Icelandic nation, and in particular people living where the resources were located. However, the national government made it clear that it did not consider it its responsibility to provide the nation with electricity, nor to harness the nation's hydropower resources. As a result, the pivotal initial steps of developing the Icelandic energy resources were taken by private actors and local governments such as in Reykjavik. The state was only involved as a regulator of hydropower development (Kristjánsson 1997). During this same time, the first ambition emerged to use geothermal energy to produce electricity in Reykjavik, but the state of technology at the time did not allow its implementation (Ísleifsson 1996, 2007).

By 1930, most had access to electricity in Reykjavik, but demand increased as the city grew and the use of electric household appliances proliferated. Increasing production capacity required capital, and national government was lobbied to provide it. This created a rift between rural and urban areas in Iceland, as it was not seen to be sensible for the state to support a loan for the capital area—as according to a majority of parliamentarians the future was in the Icelandic countryside and not the city. This rift grew so intense as to bring down the national government at the time. A new coalition government was formed with a mandate for further development of hydropower, and a new power plant to serve the capital area was built in 1935 (Ísleifsson 1996, 2007; Kristjánsson 1997).

As has already been indicated, at this point in time, many small hydropower plants as well as diesel generators were scattered around the country, mostly for private use. A few larger power plants existed, but those were largely used to serve the capital area and its vicinity (Ísleifsson 2007). Even if the state did not see its role to be supplying the nation with electricity, the State Electric Inspection Company was created by law in 1933 with the mission to ensure the security and safety of power generation, transmission and use in the country. In 1939, the law was

changed when the Inspection Company was given the mandate to secure safety and supply, but also to plan, build and run power plants and transmission lines. Effectively, this created a turning point in national electrification and the development of hydropower resources in the country as now the national government had for the first time become a direct actor. At the beginning of the Second World War renewable energy accounted for approximately 12 per cent of total primary energy supply and coal over 80 per cent, primarily servicing houses and small businesses as major industrial development had not yet taken place (Kristjánsson 1997).

### After the Second World War: National electrification

The second era in the transformation of the Icelandic energy system began during and after 1945. During the war, the newly created State Electric Inspection Company was tasked to examine if electricity demand could best be fulfilled with small power plants close to the consumer, as was already the case, or by large power plants which would require the building of a national transmission and distribution system that would deliver the electricity to the consumer. The conclusion was that both should be done and that a national grid should be built that would extend to all relevant power producers in the country (Ísleifsson 1996, 2007; Kristjánsson 1997).

Demand for electricity continued to increase during and after the war, for example due to increased demand for electricity for the US army as well as for heating houses, as the price of coal had escalated during the war. Energy security was high on the agenda as the current supply of electricity was unable to fulfil demand and the lack of a central transmission/distribution system became an issue (Ísleifsson 1996, 2007). In 1942 a law was passed with the support of all political parties that enabled the national government to own and operate a national distribution/transmission system company. This resulted in the establishment of the national electricity transmission and production company Rafveitur Ríkisins (RARIK) that was given the mandate to provide the Icelandic public with access to electricity by operating large power plants and transmitting and selling the electricity to smaller local transmission/distribution systems. The company was not allowed to move forward with energy development unless it could demonstrate that the development would be profitable and channelled all revenues to go into the state electricity fund. Later, the company became the largest operator of large hydropower plants in the country (Kristjánsson 1997).

Notwithstanding the widely held belief that it was the duty of the nation to rely on domestic renewable energy, the so called ‘white coal’—rather than imported energy which was termed non-national (*óþjóðlegt*) a fossil fuel driven power plant was built in Reykjavik to help meet the accelerating demand. The power station, called Toppstöðin, was completed in 1948 and operated until around 1980. Its



purpose was not to deliver baseload energy, which was considered the role of hydropower plants, but rather to catch peaks in demand to prevent supply short-falls. At the same time, energy conservation was encouraged (Ísleifsson 1996, 2007; Kristjánsson 1997).

The build-up of baseload continued and in 1947 a new Electricity Law was passed with the aim of furthering the full electrification of the country. As already explained, RARIK delivered the energy around the country and sold it wholesale to regional smaller power distributors (*héraðsrafveitur*) that were created in each region. The local distribution companies were supposed to distribute the energy locally and the Minister of Industry could provide the local companies exclusive rights for selling energy within their region. If there were areas that could not financially support such distribution companies the state was supposed to build, finance, and maintain them (*ríkisreknar héraðsveitur*). This led to the build-up of heavily subsidized regional electricity distribution systems around the country (Kristjánsson 1997).

Development of geothermal energy continued as coal became scarce and expensive. As a response the national government agreed to finance research and exploration for feasible areas for development, but would attempt to recover the cost from the applicable local authorities if exploration would lead to successful harnessing of the resource. The large-scale build-up of geothermal district heating in Reykjavik continued, and during WWII the district heating system was built in Reykjavik, financed with a foreign loan guaranteed by the local government (Björnsson 2007; Þórðarson 1998). In 1943 the first houses were connected to the new district heating system, and at the end of 1945, 2,850 houses in Reykjavik were connected. Six years later that number had risen to over 3,500 (Þórðarson 1998). The benefits of replacing coal with geothermal energy were felt immediately: air pollution declined and the incidence of diseases such as the common cold dwindled. Demand however continued to be high, but what stalled further development in Reykjavik was largely the lack of access to hot water. In response, the city and the national government jointly invested in a large drill that enabled exploratory drilling over 1km into the ground. In addition, the city bought exclusive rights to harness geothermal heat from landowners close to the city which enabled continued expansion (Björnsson 2007; Þórðarson 1998). In the years that followed, over 95 per cent of all inhabitants in Reykjavik gradually gained access to geothermal district heating.

The successful development of district heating in Reykjavik, coupled with government support for research and exploration, prompted interest in other municipalities around the country to initiate exploring the feasibility for large-scale utilization of geothermal heat in their regions. Despite this interest, only four heating systems were built in addition to the system in Reykjavik during this era, two in the north and two in the south of Iceland. All in all, by 1965, 12 district heating systems had been established (Þórðarson 1998).

Across the political spectrum, it seemed clear to most that relying on renewable energy—hydropower for electricity generation and geothermal energy for heat—was preferable to relying on imported fossil fuels. High prices and shortages of fossil fuels during and after the Second World War had reinforced this belief. Geothermal district heating was now being utilized in Reykjavik with clear benefits to the citizens living there, but members of parliament as well as others worried that these benefits were not reaching outside the capital area.

The parliamentary debate focused on the speed at which electrification in the countryside was taking place. Parliamentarians worried that the slow speed of rural electrification and high prices of electricity in rural areas compared to urban areas such as Reykjavik, in addition to the successful use of geothermal district heating in the capital area, was causing an exodus from the countryside to the city. This led to the creation of the ten-year national electrification plan which lasted from 1954 to 1963. The plan aimed at the build-up of a cohesive transmission and distribution system in the country, and generation of sufficient electricity to fulfil demand and to ensure that all, regardless of the location, would enjoy the same electricity prices through a price-equalizing system. This effort was partially financed by the Marshall Plan and by specific regions where electricity generation, transmission and distribution was cost-effective (Ísleifsson 1996, 2007; Kristjánsson 1997).

These efforts led to radical changes in the structure of the energy system. In addition, the first steps were taken towards establishing energy-intensive industry in the country, such as the state-owned fertilizer factory (*Áburðarverksmiðja Ríkisins*), and several fish-processing plants. Until that time, each local transmission company was run as an independent company, which led to significant differences in price. Energy security differed and was at times not sufficient, and many of the independent power producers were operating at a loss, in particular those that relied on fossil fuels. In 1946, 290 hydropower plants were in the country and 119 oil and steam plants in private ownership, with approximately 12 per cent of the country electrified. In 1961, towards the end of the ten-year plan, the electrification percentage was up to 62 per cent, and at the end of the 10-year plan, 77 per cent of people in the countryside had electricity, with most connected to the central grid as that provided enhanced energy security and more affordable prices. Only a few isolated places still operated their own power generators as that was believed to be more cost effective. By 1970 the electrification of the country was complete, and at that time 97 per cent of all Icelanders received electricity from publicly owned electric companies (Kristjánsson 1997). During this era, electricity prices were kept artificially low, as public ownership enabled politicians to exert price controls, a politically popular stance to take (Ísleifsson 1996, 2007; Kristjánsson 1997).

As before, the path towards relying on local renewable energy for electricity was not heavily debated. Most local and national politicians, as well as private

and public stakeholders agreed that electricity generation should be based on renewable energy, and the creation of a national energy company and a centrally coordinated transmission and distribution system was not seriously challenged. The debate rather focused on what the energy should be used for, and where financing should come from. The discussion on use resulted in the build-up of energy intensive industry which coincided with national authorities becoming active stakeholders in the production and transmission of electricity. The aim was to produce steady and secure demand for the electricity being harnessed to ensure profitability of the large power plants which all were in public ownership. At the end of this time period in 1965, the National Energy Company, Landsvirkjun, was established, which assumed partially the role of RARIK. RARIK continued to exist, but its role became to supply less cost-effective areas with electricity (Kristjánsson 1997). Landsvirkjun took over all else with the exception of specific locally owned energy companies such as Reykjavik Electric. This meant that all electricity generation in the country was owned by public companies that were operated for the common good and delivered electricity in a secure way at affordable prices. Foreign ownership was non-existent (Kristjánsson 1997; Ísleifsson 1996, 2007).

### 1965 and beyond: The large-scale build-up of geothermal energy

The third era in the history of energy development in Iceland can be considered to have begun in 1965, when Landsvirkjun was created. Two external events shaped the urgency of taking further steps in energy development, one being linked to significant devaluation of the Icelandic krona and the other to the international energy crisis of the 1970s.

During the build-up of electric capacity, and after most power plants and the transmission system ended in the hands of public officials, politicians seeing favourable election results prevented the utilities from increasing electricity prices as needed to ensure profitability. This practice began during the Second World War. Then and despite the later use of Marshall Plan funds to complete the electrification of the country, large foreign loans had to be taken to finance the development. In 1967 the krona devalued significantly, and the electricity companies were left in bad shape financially as foreign loans correspondingly increased in value. This called for price hikes, but during the international oil crisis the transmission companies were not allowed to increase the price of energy to the consumer without special permission to do so. Wholesale sellers got the price they needed but the delivery companies could not increase their prices (Kristjánsson 1997).

After price controls were lifted, a price peak was reached in 1983. This cast the spotlight on electricity prices for different categories of users and it was revealed that regular consumers also realized that they were paying much higher prices than large industry (Kristjánsson 1997). On top of these issues the oil crisis of the 1970s

had hiked the price of crude oil, which meant escalating costs for house heating for those that did not have access to district heating based on geothermal energy as was the case in Reykjavik (Kristjánsson 1997; Þórðarson 1998).

This led local authorities outside Reykjavik to seek means for house heating other than oil and push for mapping of the entire country to identify where it was feasible to use geothermal energy for house heating. In areas where the use of geothermal energy was not feasible, the inhabitants would have to rely on subsidized electricity to heat their homes (Kristjánsson 1997). Both national and local authorities were convinced that it would produce significant net national benefits to shift completely away from the use of fuel oil for heating and transform the heating system fully to domestic renewable energy. This renewed focus meant the development of new geothermal resources, and the construction of district heating systems throughout the country, the construction of long transmission pipelines and the conversion of in-house heating systems from oil to geothermal heat.

In approximately 10 years, from 1970 to shortly after 1980, the use of oil in space heating in Iceland went from 53 per cent to 7 per cent, largely being replaced by geothermal energy. Local authorities in most cases owned and financed these operations through public companies and for that purpose received loans guaranteed by the government. Exploratory drilling, however, was operated by the National Energy Authority and partially financed by the national government through the Energy Fund. The use of high-enthalpy geothermal heat for electricity generation began in 1973 but did not become a significant player as a source for electricity generation until later (see, e.g. operations by Reykjavik Energy and Landsvirkjun) (Þórðarson 1998).

### Moving forward: Planning the future

Since the end of the third transition in 1980, the share of domestic renewable energy in primary energy supply has continued to increase, largely due to increased demand for electricity by energy-intensive industries and due to the use of high enthalpy geothermal resources in electricity generation that currently account for approximately 30 per cent of total electricity production (Orkustofnun 2021). Imported fossil fuels currently are only used for transport and in the fishing industry. The current focus of domestic energy development is therefore to enhance energy security, to transition fully away from fossil fuels and to ensure sustainable development of the renewable energy resources in the country, with a particular focus on minimizing the environmental impact and attempting to reach a consensus in which locations' energy development is or is not allowed with nature protection in mind.

The stakes of getting increased domestic renewable energy capacity and use right are high. Climate change and increasing scarcity of fossil fuels have amplified

pressures worldwide for the development of renewable and sustainable energy resources that can replace fossil fuels (IEA 2020). According to the United Framework Convention on Climate Change (UNFCCC), '[C]limate change represents an urgent and potentially irreversible threat to human societies and thus the planet requires the widest possible cooperation by all countries.' The Paris Agreement, signed in 2015, stipulates that global greenhouse gas emissions must decline, keeping temperature increases by 2100 under 2 degrees Celsius and as close to 1.5 degrees Celsius as possible. To fulfil this aim, global carbon neutrality should be reached as close to 2050 as possible, which means that deep decarbonization worldwide of energy systems must take place. Increased reliance on low-carbon renewable energy is an essential component of such decarbonization. Given that over 80 per cent of primary energy worldwide is derived from fossil fuels (REN21 2020), and that the International Energy Agency (IEA) expects energy demand worldwide to increase by 1.3 per cent per year until 2040 (IEA 2020), pressures mount to transition to renewable energy resources.

The United Nations have acknowledged the need to transition the world energy system to renewable energy. For example, the UN Sustainable Development Goals (SDG) acknowledge the need for deep decarbonization, use of renewable energy and the transformation of energy systems towards sustainability. More specifically, Sustainable Development Goal number 7, aims to 'ensure access to affordable, reliable, sustainable and modern energy for all' by 2030. It contains three main sub-targets (United Nations 2015):

- 7.1: By 2030, ensure universal access to affordable, reliable and modern energy services
- 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix
- 7.3: By 2030, double the global rate of improvement in energy efficiency

Iceland has committed to reaching carbon neutrality by 2040 and is similar to other countries committed to fulfilling the UN Sustainable Development Goals. To meet this challenge and to complete the transition to renewable energy requires foresight. Aware of the lack of a holistic energy policy, the Icelandic government in 2018 nominated an 18-person committee with representatives from all political parties and four ministries, in addition to three academics (Cabinet of Iceland and Ministry of Industries and Innovation, 2020). The task of the committee was to develop the first holistic energy policy for Iceland to 2050 that would sustain the economic prosperity and economic competitiveness of the Icelandic economy. The committee unanimously delivered a policy document 'A sustainable energy future; an energy policy to the year 2050', that contained an overall vision, themes and main policy goals for energy development in Iceland to 2050 (Cabinet of Iceland and Ministry of Industries and Innovation 2020).

The vision statement for the policy describes Iceland as a ‘land of clean energy’, with all energy used in the country from renewable resources and states that harnessing renewable energy resources is a key element in reaching the goals of the Paris Agreement. The energy is used sustainably, it benefits the nation, and energy demand is met in a secure manner. The vision depicts Iceland as a leader in the transition towards renewable energy, sustainable energy production and improved energy efficiency. Finally, the environmental impact of energy development and use is minimized (Cabinet of Iceland and Ministry of Industries and Innovation 2020).

The policy has five main themes that reflect the main challenges as visualized by the committee: *Energy security*, *Energy transition*, *Energy efficiency and conservation*, *Environment*, and *Society and economy* (Cabinet of Iceland and Ministry of Industries and Innovation 2020). The theme *energy security* focuses on improving the energy infrastructure, with a particular emphasis on rural areas and increasing diversity in energy production to ensure a secure and reliable energy supply that fulfils society’s energy needs. The theme *Energy transition* states the aim to fully halt the use of fossil fuels at the latest by 2050 in all sectors, including aviation and international shipping. In the theme *Energy Efficiency and Conservation*, the need to reduce wasteful consumption is addressed in addition to promoting smart technologies and emphasizing fully utilizing all resource streams of the Icelandic energy resources. The theme *Environment* focuses on the challenge to sustainably develop renewable energy resources while protecting nature and minimizing environmental impact. Finally, the theme *Society and economy* addresses the urgency of energy equity and equal access to secure energy across the country. Emphasis is placed on ensuring that the nation receives benefits from its energy resources (Cabinet of Iceland and Ministry of Industries and Innovation 2020).

On examining this policy document in the context of the history of energy development in the country it appears that the development of the Icelandic energy system as envisioned at the beginning of the twentieth century is now getting close to completion—to fully rely on domestic renewable energy resources and using them for the common good of the Icelandic people with a renewed emphasis on equity, sustainability and the environment.

## Conclusion

The story of how Iceland gradually started to rely upon domestic renewable energy resources as told in this chapter features several recurring themes. *Energy security* emerged as a theme early on, in particular as during the two world wars it was clear that it would be challenging to secure enough supply of fossil fuels at affordable prices to heat the nation’s homes. To rely on the ‘white coal’ of hydropower for electricity generation and geothermal energy for heat was at the outset considered

more sensible and secure than to rely on imported fossil fuels. Energy *transitions* became a recurring theme when the nation first transitioned temporarily to coal to heat the nation's homes and then transitioned back to renewable energy resources. Energy *efficiency* and *conservation* became a theme, in particular when it came to the diverse uses of geothermal energy. Today such multiple or cascading uses of the geothermal fluid has become the norm internationally. The *environmental impact* also emerged as a theme from the outset. For example, environmental protection and improved air quality was used as an argument for shifting away from the use of coal and towards geothermal energy for house heating. Finally, *developing domestic renewable resources* for the benefit of the nation, focusing therefore on society and the economy, was also a consistent theme from the beginning to the present. At every step during the development of the energy system, decision makers had an expansive conception of the public value of whatever energy strategies they pursued—a true national interest perspective encompassing societal, economic and environmental values. Foreign interests were not allowed to own or directly invest in energy development, albeit foreign ownership has now emerged, and the resources were not privatized but largely remained in public ownership. All these themes formally emerged in the new Icelandic energy policy.

The story of the development of the Icelandic energy system is one of how policy fragmenting at different levels of governance, merged over time as evidence built of the economic, social and environmental benefits of a domestic renewable and sustainable energy system. Continually, authorities at different levels received practical evidence that developing domestic renewable energy resources was superior for the nation as a whole than importing fossil fuels for electricity generation or heat. This accumulation of evidence, with the added push of the climate emergency and the Sustainable Development Goals, has now culminated in a comprehensive national energy policy—policy that draws on past experience, and formally aims to complete the journey that was started over 100 years ago with the aim to build a prosperous society that relies solely on renewable resources, for the common good of the Icelandic people. This was the aim that never wavered, despite various twists and turns along the way. As a result, the development of the Icelandic energy system represents a policy success at all levels in the PPPE evaluation system. What the future holds remains to be seen.

### Questions for discussion

1. What is the status of the development of renewable energy in your country?
2. What is the aim of your national government when it comes to developing low-carbon renewable energy resources?
3. What were the key elements that contributed to the success of this case within each level of the PPPP evaluation system?

4. Are the elements you identified debated in your country?
5. What are the main lessons to be learned from this case for the development of renewable energy in your country?

### Links to online resources

Links to the Sustainable Development Goals and the Paris Agreement and the status of different countries with respect to the goals can be found here:

<https://sdgs.un.org/goals/>.

And here:

<https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement/>.

The development of renewable energy resources worldwide and in different countries can be found here:

<https://www.ren21.net> and here <https://www.irena.org/>.

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## Paid Parental Leave in Iceland

### Increasing Gender Equality at Home and on the Labour Market

*Ásdís Aðalbjörg Arnalds, Guðný Björk Eydal and Ingólfur V. Gíslason*

#### Introduction

This case study investigates the making and the experience of the Icelandic law on paid parental leave that was adopted in early 2000 and has been successful in terms of its impact on gender equality. For decades, Icelandic society has been moving towards increased gender equality. Political parties have overall agreed on that goal and the Icelandic parliament has initiated laws and campaigns to promote gender equality spurred on by diverse women's movements and the trade unions. This has been fairly successful, as can be seen, for example, in the relatively high political representation of women, which contributes to putting Iceland on top of the Global Gender Gap Index, compiled by the World Economic Forum, a position Iceland has held for 12 consecutive years. Still, in the late twentieth century, policies to increase gender equality mainly focused on enhancing the position of women in politics, education and the labour market while not much happened at home, where women shouldered the main responsibility for the care of children. Even though mothers could transfer part of their paid parental leave entitlements to the father, this hardly ever happened (Eydal and Gíslason 2008).

The stated purposes of the new law on paid parental leave were twofold: to ensure that children received care from both parents and to make it easier for men and women to combine paid work and family life. It extended the leave from six to nine months and raised economic compensation from a low flat rate benefit to 80 per cent of salary, introduced flexibility and, most importantly, divided the leave so that each parent had three non-transferable months, a so-called mothers' and fathers' quota, and then three months that could be shared between the parents. All biological parents became eligible regardless of whether they shared residency with their child or held custody. The rights also included couples adopting or taking a child into permanent foster care. The rules on take-up provided a high degree of flexibility; according to the law, parents can take leave full or part time and they

can choose to take leave simultaneously part of the time or all of it, as they like (Arnalds et al. 2013).

This legislation was quite unique at the time. Even though by 2000, the other Nordic countries had ensured fathers with some rights, Iceland was the first country to provide *both* parents with equal quota rights, and Icelandic fathers enjoyed the longest quota rights to paid parental leave (Moss 2015). Historically, Iceland had provided less support to families with children than the other Nordic countries. In particular, this has been evident regarding care-support to families with children. The other Nordic countries implemented legislation on paid maternity leave early in the last century, but Iceland did not enact the first legislation on universal rights to three months' paid parental leave until 1981 (Duvander and Lammi-Taskula 2011). Similarly, the volumes of day care were low in Iceland, but increased slowly in the 1990s, when full-time care became the most usual form of day care in preschools operated by municipalities. Comparison of social expenditure for families with children also supports this picture: the expenditure on services and benefits for families with children were only half of the expenditure in the other Nordic countries, despite the fact that Icelandic parents worked longer hours and had more children (Eydal and Ólafsson 2008).

Parties left of the centre and the Women's Alliance (a social movement that became a political party in 1983) had criticized the lack of support and presented several bills on longer paid parental leave for both fathers and mothers in the 1990s, but without success. It therefore came as a surprise when a coalition government right of the centre, proposed a new law in 2000 that took radical steps towards de-gendering of care by providing parents with equal quota rights to parental leave, together with increased economic compensation. In this chapter we investigate the forces behind this successful policy. We first discuss in what terms the policy outcomes can be claimed to have been successful by assessing whether the law has reached its twofold aims. Then we wind back the clock 20 years and show how the policy-making process contributed to this success, by examining the context, challenges and actors. Finally, we examine the later amendments of the law to evaluate the endurance of the policies.

Before we begin, a few introductory remarks on financing and eligibility are in order. The system is financed by an insurance levy paid by all those who pay wages in Iceland and by the state, whose contribution covers the flat-rate benefits for students and those outside the labour market. To be eligible for earnings-related benefits—80 per cent of previous wages during parental leave, a parent must have been active in the Icelandic labour market for at least six months prior to the birth of the child. Similarly, for students to be eligible for economic compensation they must have been enrolled in school for at least six of the previous 12 months and to have fulfilled all requirements of their study (Eydal and Gíslason 2008). Parents who are not eligible for earnings-related benefits are entitled to a relatively low flat

rate benefit that equals 24 per cent of minimum pay for non-working parents and 55 per cent for students in 2020 (own calculations).

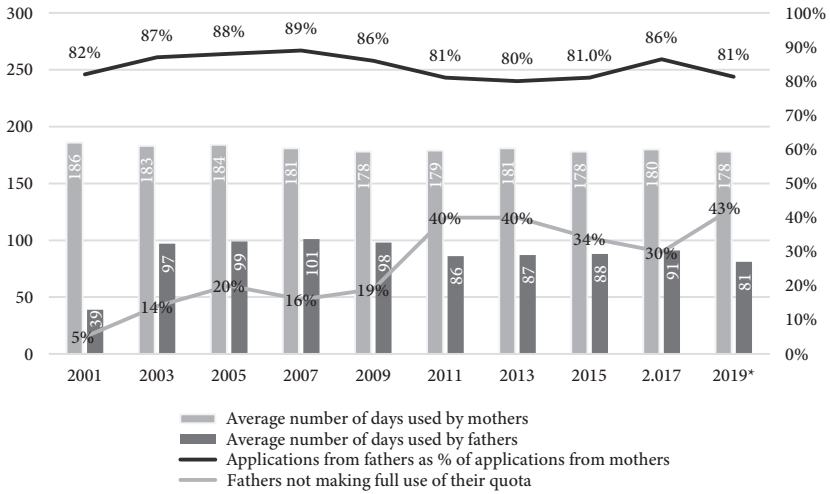
## A Policy Success?

### Programmatic success

We start by assessing the programmatic success of the policy based on whether the stated purposes of the law have been fulfilled. Prior to the change, fathers could in theory take up to five months of parental leave by law from 1981. In reality, very few fathers, a mere 0.2 per cent to 0.3 per cent, took a part of the paid parental leave. By contrast, the first year after the implementation of the seminal 2000 act, 82.4 per cent of fathers took leave and in 2004 that figure was up to 89.8 per cent (Eydal and Gíslason 2008). It is noteworthy that this huge increase was not preceded by an information campaign or any other incentives. Clearly, Icelandic fathers needed no encouragement from the state to make use of the opportunity, as the uptake of the gradually implemented quota law demonstrates: in 2001 fathers were entitled to one month and used on average about 30 days; in 2002 a second month was added and fathers used on average 60 days; and after the three-month fathers' quota was fully implemented in 2003, fathers who took leave used around 90 days on average.

This pattern continued until 2008 when the ceiling on benefits was lowered as part of austerity measures, after three of the largest banks in Iceland collapsed, resulting in a deep economic crisis. The lowering of the ceiling affected fathers' leave use, as can be seen in Figure 18.1, but still they continued to use on average 80 days or more, and in the post-crisis years their take-up has fluctuated between 85 and 90 per cent. In other words, the policy was put to the test during the aftermath of the 2008 crisis, but while the outcomes were affected by the cuts in benefit levels, the main structure, goals, and fathers' uptake of leave remained intact. The experience of the austerity measures does show how precarious the balance, between the payments being high enough to enable fathers to take leave or being too low for fathers to be able to justify the loss of income for the family, is. Similarly, the austerity episode also revealed very clearly that the bargaining status of the mothers is weaker when it comes to returning to work after birth due to the gender wage gap: when the fathers took less leave the mothers extended their time away from work (Arnalds et al. 2019).

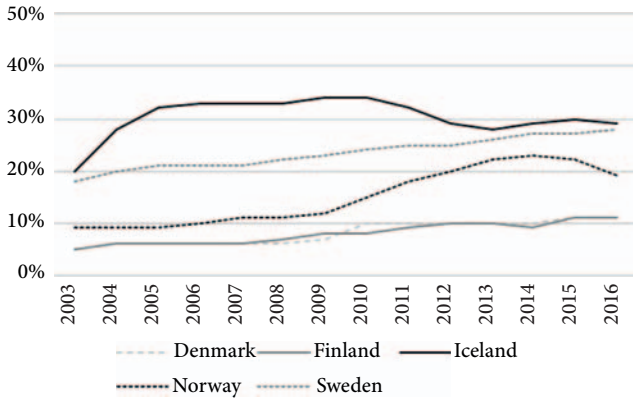
The statistics in Figure 18.1 show clearly that fathers in Iceland welcomed their new rights to paid parental leave, even though the austerity measures did slow down the progress of the policy. As pointed out earlier, the other Nordic countries had already implemented legislation on fathers' quota when Iceland enacted the law in 2000. But a comparison of take-up among Nordic fathers shows clearly



\*Figures for 2019 are preliminary

**Fig. 18.1** Percentage of fathers using their right to parental leave as percentage of total applications from mothers, average number of days used by mothers and fathers and percentage of fathers who did not make full use of their quota

Source: [Fæðingarorlofsjóður n.d.](#)



**Fig. 18.2** Percentage of the total parental leave days taken by fathers in the Nordic countries 2003–2016

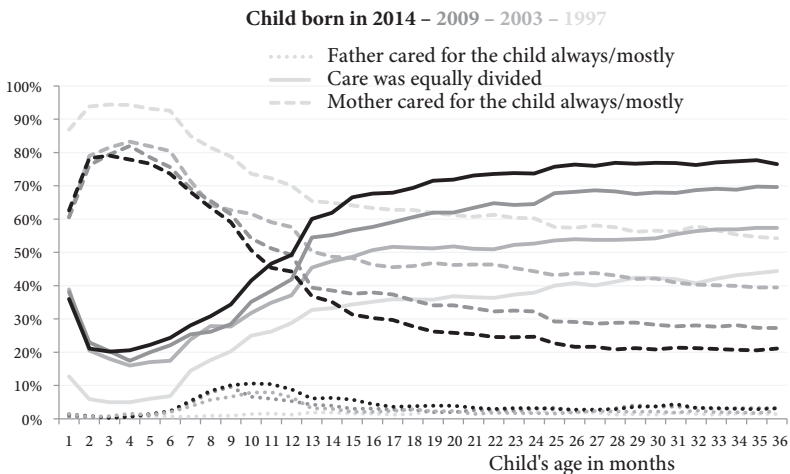
Source: [Nordic statistics database n.d.](#)

that the Icelandic fathers welcomed their new entitlements to a higher degree than fathers in the other countries (see Figure 18.2).

Did the take-up of the Icelandic fathers also have the intended behavioural effect of changing how parents divided work and care between them? To address the question of whether the law increased the proportion of children receiving equal

care from both parents, it is important to investigate how parents divide care not only during the paid parental leave but also after that leave ends. The authors' repeated studies of first-time parents show a huge increase in the sharing of care during children's first three years since the law came into force (Arnalds et al. 2013; Arnalds 2020). The first survey was carried out in the year 2000 among parents who had their first child in 1997, three years before the law was introduced. Parents were asked retrospectively to answer questions on how care was divided each month from childbirth until the child was 3 years old. Figure 18.3 reveals that 40 per cent of married and cohabiting parents of firstborns in 1997 reported equal care for their children by the time they were 3 years old. When this survey was run for children born in 2014, care was equally divided three years after childbirth in 75 per cent of cases. Clearly, the law enhanced care from both parents, which is in line with the experience from other countries (Arnalds 2020). Furthermore, it has also been shown that 11-, 13- and 15-year-old youngsters in Iceland, born after the new law, found it much easier to communicate with their fathers than youngsters born before the law was implemented (Arnarsson et al. 2019; Inchley et al. 2020).

It is more complicated to ascertain whether the second goal of the law, increasing gender equality on the labour market, has been reached. Still, the fore-mentioned studies on first-time parents during the past 20 years show that at least the gap in mothers' and fathers' labour-market participation and working hours has narrowed since the introduction of the law. The greatest differences are found between the first two surveys, suggesting that the introduction of the law on



**Fig. 18.3** Sharing of day-time care of married and cohabiting parents of firstborns in 1997, 2003, 2009 and 2014 during the first three years after childbirth

Source: authors

paid parental leave had a real impact on parents' participation in work and care. The increased volumes and hours of preschool for younger children during the period in question probably also contributed to this development (Arnalds 2020; Eydal 2008).

Furthermore, the introduction of the law led to increased marital stability, which indicates that parents may have found it easier than before to balance work and care. Parents who had a child right after the fathers' quota was introduced were considerably less likely to divorce than parents who had a child just before the law was implemented. The difference between the two groups continued to exist as their children grew older, and even 15 years after childbirth, there is still a considerable difference in the divorce rate of parents who had a child just before and just after the law was implemented (Ólafsson and Steingrimsdóttir 2020).

### Political success

The support for the policies from the public, as exemplified in, for example, Gallup polls, shows that people believed that it was important that fathers were active in the care of their young children from an early age. However, the Icelandic paid parental leave, was historically young and short compared to the other Nordic nations, although it was progressive when it was introduced due to the degenderization. The fact that Iceland did not have a long history of paid parental leave contributed to how well the policies were received. The three additional months for fathers were not taken away from previous rights of mothers, but added step-wise to the programme as new rights, that is, there were no difficult or politically contested trade-offs. Finally, the fact that the financing of the paid parental leave scheme was based on a levy paid by employers contributed to its political success. Every employer in Iceland pays an insurance levy that is used for a few purposes, one of which is to finance the unemployment fund. In 2000 Iceland had not experienced unemployment for a number of years so the unemployment fund was huge. It was therefore decided that a part of the insurance levy that had gone to the unemployment fund would be channelled into the new parental leave fund (Eydal and Gíslason 2008). It was a classic win-win situation: everyone was better off without the need for raising additional revenue. However, as more fathers used their right than had been expected, it later became necessary to increase the part of the insurance levy channelled into the parental leave fund, but this did not diminish the across-the-board support for the law (which will be discussed further in the section on the context of the adoption of the law).

### Counterclaims to success

Despite the high take-up rates among Icelandic fathers, not all use their right to leave, and studies indicate that fathers who do not live with the mother and the

very affluent fathers are less likely than others to take leave and to make full use of the quota (Arnalds 2020; Júlíusdóttir 2019; Sigurðardóttir and Garðarsdóttir 2018). Even though fathers use on average the 90 days allotted to them, there have been between 15 to 20 per cent that do not use all their days. Statistics show that in the first years after the law was introduced, low-income fathers used the fewest days, on average. However, after the ceiling on benefits was lowered during the economic crisis, there was a huge drop in the leave use of high-income fathers, who have used the least amount of leave since 2010, despite a restoration of the ceiling on benefits (Fæðingarorlofssjóður n.d.; Sigurðardóttir and Garðarsdóttir 2018).

Mothers on the other hand use the lion's share, taking on average around 180 days. Thus, in most cases mothers use their three non-transferable months as well as the three months parents can divide as they see fit. Consequently, mothers still provide much more care during the first years after childbirth than fathers do and mothers' longer absences from the labour market puts them at a disadvantage vis à vis fathers (Arnalds et al. 2019). The Icelandic labour market is still highly gender-segregated and despite the relatively high labour-market participation of mothers, it is still lower than fathers', though the gap has been closing. In 2020 81.1 per cent of men were active in the labour market, down from 87.4 per cent in 1991. The figures for women are 73.4 per cent in 2020, down from 74.6 per cent in 1991. Hours in paid work are still different between men and women, even though the gap has been closing (solely due to decrease among men). In 2020 Icelandic men worked on average 40.9 hours a week, down from 51.3 in 1991, while women worked on average 34.2 hours a week in 2020, almost the same as in 1991 when their average working week was 34.5 hours (Statistics Iceland n.d. b). Furthermore, the unadjusted gender pay gap still exists even though it has narrowed from 17.5 per cent in 2010 to 12.6 per cent in 2020 (Statistics Iceland n.d. c), a bit better than the EU-27 average of 14.1 per cent in 2019 (Eurostat n.d.). Also, the law and all other measures that have been enacted to increase gender equality in the labour market, does not seem to have had any effect on women's possibility of reaching top positions in the labour market. Finally, among the business elite, parental leave is hardly used at all by fathers (Júlíusdóttir 2019).

Another aspect that has probably prevented gender equality is what has been termed the 'care gap' and refers to the fact that in Iceland there has been a gap between the end of the nine months long parental leave and the time children get a place in preschools, usually at the age of 18 to 24 months. This is due to lack of places in many municipalities, not least in the capital area, and in Iceland municipalities do not have legal obligations to ensure a place in preschool at a certain age (Eydal and Gíslason 2015). Studies have shown that parents cope with this gap in a variety of ways, but when the solutions involve a reduction in participation in the labour market many more mothers than fathers shoulder that (Arnalds et al. 2013, 2019; Farstad 2012, 2014; Ingólfssdóttir and Gíslason 2016). This has been recognized as a problem by the political establishment and attempts



were made by a coalition left of the centre already in 2012 to extend the paid parental leave to twelve months, but without success. Since then, the importance of a one-year leave has gradually gained recognition by all political parties but such change did not take place until 2020, as further discussed in the section entitled 'An enduring system'. The extension of the leave to 12 months was seen as one step towards a solution to the 'care gap' and the municipalities have also addressed the importance of increasing the volume of places in preschools for 1–2-year-olds. This contrasts with Denmark, where there is widely available, affordable high-quality care, that has enabled men and women to combine work and family life after parental leave (See Larsen and de la Porte 2022).

### The Context of the Adoption of the Law

The 1990s in Iceland saw a great deal of criticism on the existing parental leave system. There were several reasons for this. As pointed out, Iceland was a laggard regarding support for families with children, and paid parental leave was shorter than in the other Nordic countries. Secondly, even though the leave was shareable to some extent in principle, it was almost solely used by mothers. Thirdly, there were great disparities in entitlements for parents working in the public and the private sectors, with women in public employment enjoying far better rights than those working in private companies. Fourthly, economic compensation was set at a low flat rate for most parents.

By the mid-nineties it was becoming increasingly obvious that the system was in serious need of revision, as countless proposals from the parties left of the centre and the Women's Alliance bear clear witness too. Small steps were taken towards change. Some unions had a clause in their agreements with their employers that members should be paid compensations when on parental leave and some firms did that without a formal agreement. The need for paid parental leave for both parents was also mentioned in a 1997 parliamentary resolution on family policy (Eydal and Gíslason 2008).

A major breakthrough occurred in November 1996 in a municipality named Reykjanesbær. Headed by a midwife, all women on the municipality council proposed that men working for the municipality should have the right to two weeks fully paid parental leave. It may have helped that the mayor was about to become a father, but the motion was adopted unanimously (Gíslason 2007). Shortly afterwards, the then Minister of Finance from the centre-right Independence Party, stated that all fathers who were public employees should be entitled to two weeks paid parental leave, and in 1998 the parliament (*Alþingi*), passed a governmental bill on rights of cohabiting and married fathers to two weeks paid paternity leave to be used during the first eight weeks after childbirth (Eydal 2000). Apparently, men, at least, were prepared for a change. In a 1997 Gallup survey, when men were asked if they would use a three-month long parental leave if it did not affect the possibilities of mothers to take leave, no fewer than 87.5 per cent said that they

would make use of such a leave, either fully (60.5%) or partially (27%) (Másson 1997 in Gíslason 2007).

Meanwhile, several member bills seeking to extend paid parental leave and quota rights for fathers were presented in the parliament during the 1990s, but without any success (Eydal 2000). Prior to the 1999 elections every political party represented in *Alþingi* had changes in parental leave on its platform: the leave period and the non-transferable leave rights for fathers should both be extended. The Icelandic Confederation of Labour (ASÍ) advocated an extension to 52 weeks, parts of which were non-transferable, and full pay during leave. The two federations for unions in the public labour market advocated similar changes (Gíslason 2007). In fact, the social partners were on the brink of reaching an agreement on parental leave in 1999 when politicians intervened. The incumbent centre-right coalition government of the Independence Party (a Liberal/Conservative party) and the Progressive Party (a centre party) tasked a committee of civil servants and the personal assistant to the Minister of Finance with writing a government bill for a new law on paid parental leave encompassing all people living in Iceland. The committee was mainly made up of long-standing feminists who now seized a chance to make a difference. The bill enjoyed support from both the organization of employers (SA) and the unions, albeit after proposing significant amendments to the financing and benefits, which the committee accepted. The bill was presented in *Alþingi* in May 2000. Not a single change was made to the bill during the proceedings and the bill was adopted unanimously.

Considering the radical nature of the bill in question and that its aim was to change parents' division of care and work, there was surprisingly little general debate about it during the legislative procedure and also afterwards. The few voices of opposition in the community worried about the cost or the take-up rate of fathers who did not share residency with their children and how this would affect the situation of children of lone parents. Subsequent surveys documented the near universal public support (Eydal and Gíslason 2008). At the time of its adoption, it was deemed by international scholars to contain 'one of the most generous "father-targeted" leave entitlements so far developed in modern economies in terms of both time and economic compensation' (Moss and O'Brien 2006: 22). The fact that it was a coalition right of the centre that spoke for the bill and the support it enjoyed from both employers and the employees, was also unusual: in all the other Nordic countries the issue of a father's quota was politically contentious (Eydal and Rostgaard 2013).

### An Enduring System

Several main changes have been made to the policy since its adoption. To what extent has this compromised the original intent and impact of the law? We review them briefly.

*An income ceiling*—The first amendment was made in 2004, when an income ceiling was placed on the amount that parents could receive, but originally there was no cap on economic compensation, everyone received 80 per cent of salary while on leave. There were two main reasons behind this decision. On the one hand, the reform proved to be more expensive than the calculations by the Ministry of Finance had predicted, since more fathers availed themselves of their rights than the ministry had expected. The second reason was that mass media reported on multi-millionaires taking parental leave and receiving compensation in accordance with their income. This was criticized and resulted in a cap of IKR 480,000 being set on compensation. The first year that this was in effect, 2.3 per cent of fathers had earnings above the ceiling and 0.3 per cent of mothers (Eydal and Gíslason 2008).

*Gender neutrality*—The second major change was due to changes in family legislation leading to the use of gender-neutral wording in 2006. With the change, neither the word ‘father’ nor ‘mother’ is mentioned in the law, and the word ‘parent’ is used instead. This was a part of more sweeping changes in several laws making them gender-neutral to ensure that same-sex couples experienced no discrimination.

*Coping with a financial crisis*—The third major change was enacted during the financial crisis in Iceland in 2008, as part of the austerity measures taken, as pointed out earlier. The parental leave was hard hit, mainly by a severe lowering of the cap on economic compensation. This came in three steps in 2008 and 2009 (Arnalds et al. 2019). When it was at its lowest, 43 per cent of fathers and 18 per cent of mothers had salaried earnings above the ceiling. But it was always made clear that once the economy had recovered sufficiently the cap would be lifted again. This recovery began in 2013 and has been carried on in steps so that the cap in 2019 (the last year for which final statistics are available) affected 26 per cent of fathers and 10 per cent of mothers (Fæðingarorlofssjóður n.d.). As can be seen in Figure 18.1, the lowering of the ceiling on benefits did dampen fathers’ usage. The percentage of fathers who used leave dropped from 90 per cent to 80 per cent when it was at its lowest (in 2013) and the average number of days that fathers used dropped from 101 to 86 (in 2012). However, following Iceland’s economic recovery, the number bounced back: in 2018 89 per cent of fathers used leave and took on average 91 days (Fæðingarorlofssjóður n.d.).

*Division and length of the leave*—In the original law all biological parents were ensured entitlements to paid parental leave, regardless of whether they shared residency with their child or whether they held custody or not. The policy was thus in line with the law in Respect of Children and the CRC that emphasizes the right of the child to know and receive care from both parents (Eydal 2013). Hence, the original law emphasized that the entitlements of each parent are non-transferable under all circumstances but made one exemption from the non-transferability and that was if either parent died before he or she had used the right. Then the

unused time fell to the remaining parent. The fourth major change has been that the exemptions to the rule of non-transferability have gradually been extended in cases where there is only one parent or when only one parent has the possibility of taking paid leave. In 2008 it was extended to cases where either parent is incapable of taking care of the child due to illness, an accident or being in prison. In 2012 the right was extended to single women who had undergone artificial insemination and individuals who adopted a child. Finally, exemptions were added with the total revision of the law that took effect in 2021. These were when a parent is unable to father the child, if a parent is subject to a restraining order, if either parent has no right to parental leave, either in Iceland or elsewhere, and finally if either parent is prohibited access to the child by authorities or the courts. Despite these changes, the main idea about a child's rights to receive care from both parents, regardless of the parent's relationship or custody arrangement, is still unchanged, and this is very important in Iceland where 12 per cent of newborns (in 2019) are born to parents that are neither in registered co-habitation nor married (Statistics Iceland n.d. a).

*Further extensions*—Last, but not least, *Alþingi* has three times decided to extend the leave, even though such an extension has only been carried out twice. Each time the division of the extension between the parents has been debated. After Iceland was hit by the financial crisis in 2008, the coalition government of the Independence Party, right of the centre, and the Social Democratic Alliance fell and a new left-of the centre coalition came into power. These parties had emphasized the need for longer paid parental leave but were forced to lower the ceiling on benefits as part of the austerity measures. The government emphasized the need for the restoration of the ceiling and extending the nine-month long leave to 12 months. A governmental bill on first steps of the restoration and an extension to 12 months was presented in *Alþingi* in spring 2012. In the original bill, the division between parents was suggested as 4+4+4, four months non-transferable rights for each parent and four months that they could divide as they liked. However, during the parliamentary proceedings, the division was changed to 5+5+2, providing each parent with five months non-transferable rights to leave and two months that they could share as they liked. The bill was accepted. In the summer of 2013 a new coalition government, right of the centre, came into power after elections and abolished the extension with reference to the difficult situation in state finances after the crisis (Eydal and Gíslason 2015).

The 2018 government coalition straddled the political landscape. It included the Left-Green Movement, the Independence Party, and the Progressive Party. The coalition had on its platform to put the extension of the leave on the agenda in its discussions with the social partners (Stjórnarsáttmálinn n.d.). A committee was formed to oversee the revision of the law. Following the suggestions of that committee, the government proposed in 2018 an extension to 12 months with a 5+5+2 division between parents. This was met with an unexpected hesitation in

*Alþingi*, and the welfare committee suggested instead a 4+4+4 system. A debate ensued between those who advocated the original proposition and a few MPs speaking for 'free choice'. The result was that the leave period was extended from nine to 10 months, with one month being added to each parent's quota and the sharable months reduced to two (a 4+4+2 division). It was also declared that in October 2020 a bill would be proposed that would lengthen the leave to 12 months, and a committee would use the time until then to reach an agreement on the division between parents.

When that committee handed in its recommendations in the autumn of 2020 it suggested that six months should be earmarked for each parent, but that one month could be transferred from one to the other. Again, similar discussions took place, but this time the debate was more intense both in *Alþingi* and in society, probably because those advocating 'free choice' were prepared. When the bill was first presented it received unusually many remarks from individuals but also from stakeholders and experts. On the one hand, the success of the original legislation in terms of how the non-transferrable rights had ensured children care from both parents was pointed out, but the goal had remained unchanged in all the bills. Iceland's success was put into international context, and it was pointed out that equal quota rights for both parents were essential, since the literature clearly showed that mothers take most of the shareable months, in Iceland and internationally. The equal quota rights ensured that children received care from both parents and the gendered consequences of childbirth for labour-market participation were diminished.

On the other hand, an issue was raised on the right of the family to choose how to divide the leave, and the importance of attachment theories and breastfeeding were emphasized. Hardly any published research on breastfeeding in Iceland exists and, therefore, the discussion on breastfeeding was mainly based on recommendations from WHO and individual experiences posted on social media and elsewhere. The emphasis on attachment theories was mainly put forward by an interest organization on mental health, which emphasized full freedom for parents to divide all 12 months as they choose, and that 12 months' leave was not long enough. This perspective was also adopted by a populist party in *Alþingi* (Arnalds et al. 2021).

The social partners all supported the original bill, both the unions and the organization of employers (SA). However, members from the Independence Party, right of the centre, in the welfare committee in *Alþingi* spoke against 5+5+2 and suggested a 4+4+4 solution. Thus, the governmental parties were not in agreement on the bill and the result became that six months were indeed allotted to each parent, but six weeks (instead of one month in the original bill) can be transferred from one parent to the other (see Table 18.1).

**Table 18.1** Overview of bills proposing an extension and changed division of entitlements to each parent 2012, 2019 and 2020, number of months

	First parent quota	Second parent quota	Joint rights to be used as the parents wished	Transferable rights
Law in 2000	3	3	3	
<b>2012:</b>				
Original bill	4	4	4	
<b>Accepted 2012, but withdrawn before the law came into force</b>	5	5	2	
<b>2019:</b>				
Original bill	5	5	2	
Suggested by the majority of the welfare committee	4	4	4	
<b>Accepted to extend to 10 months and add 2 months in 2020</b>	4	4	2	
<b>2020:</b>				
Original bill	6	6	-	1 month each parent
Suggested by the majority of the welfare committee	6	6	-	1.5 month each parent
<b>Accepted</b>	6	6	-	<b>1.5 month each parent</b>

Source: Arnalds 2020; Lög um fæðingar- og foreldraorlof nr. 144/2020

Clauses on research and revision after two years were also added to the bill during the procedure in *Alþingi*, so it is safe to conclude that the issue of the division is not set in stone but still open for changes.

From the perspective of the endurance of the system's goals and ethos, we can observe, firstly, the changes made did not alter the main structure of the law, and the political consensus is strong regarding the importance of the non-transferable quota rights of both parents as the best way to ensure that the twofold goals of the law are reached. Furthermore, the funding and the level and types of benefits have not been debated and there is a strong consensus around the importance of restoring economic compensation to pre-2008 level. Despite the continuation of political support for the individual quota of each parent and the non-transferability of

the entitlements as the main rule, by the end of the period a growing tension can be observed regarding the extensions of the non-transferable quota rights both in politics and in society. Furthermore, there is, what could be termed increased gender awareness, seen in the development towards a gender-neutral language and the extension of the exemptions to non-transferability to cases where families are plagued by violence.

## Conclusions

The single most important idea behind the policy discussed here has been gender equality, equal rights of both parents to care and earn. The twofold goal of the policy was to ensure that children receive care from both parents and both parents are able to reconcile family and work. Each parent got three months' non-transferable leave and then the parents could divide as they liked three additional months. Thus, the total length of leave became nine months. Fathers in Iceland embraced their non-transferable rights to paid parental leave and around 90 per cent of all fathers in Iceland took leave. On average the fathers have used their quota rights, or around three months. Thus, Icelandic fathers have been forerunners in regard to take-up, and only fathers in Sweden take up as high a percentage of the total number of days. Furthermore, research shows that fathers' part in the care of their children in the case of Iceland increased after that law was enacted and has continued to increase. In addition, the gap between parents' labour-market participation and working hours has narrowed. Thus, the policy has been successful regarding the twofold aim of the law.

The fact that the three months for fathers were added to the previous six months' leave was of importance: nothing was 'taken from' mothers—they could still take six months if the parents decided so. Parties left of the centre had made several proposals pushing for a change in this area during the 1990s, and the parties in the coalition government right of the centre that in the end carried it through most certainly did not want to look like they stood in the way of increased gender equality. A win/win situation was created when the financing of the leave was solved by lowering the proportion of the insurance levy for unemployment and having it channelled to the new fund that was established to finance the paid parental leave. The committee that wrote the bill worked closely with the social partners and hence the political consensus. At the same time women's organizations were pushing in the same direction as were the unions and representatives from the federation of employers. They were motivated by the idea that to push gender equality in the labour market forward, it was necessary to divide care work and other domestic duties in families more equally. The best way to ensure this was to get men involved in the care of their children at an early age. In fact, neither a political party nor any social movement opposed this move.

Several conditions enabled this to be carried through. There is close cooperation between the Nordic countries in many areas and a comparison is quite usual. It was an embarrassment that parental leave in Iceland, and indeed the whole ECCEC-system, was in every aspect much worse than in the other Nordic countries. It also helped greatly that the Icelandic system was such a patchwork that it was clear to most or all that the mess had to be cleared up. And when someone came up with an idea that not only made the system better for everyone involved but also could be carried through without any extra financial burden, this revolutionary change could be carried through. The policy has enjoyed wide political support as well as support from the unions and the Federation of Employers. Last, but not least it has enjoyed support from the general public.

As can be seen in the discussion in this chapter, the political legitimacy of the policy has been strong, and the main idea has not been heavily contested so far. The idea of non-transferable periods for each parent has held sway and extensions of the leave have been used to make it even more individual than in the original law. Even though we now have a political party advocating 'free choice' of families, that party is fairly small and even if it entered a government coalition it is highly unlikely to push for a change and even more unlikely to be successful if it tried that. It is also noteworthy that the argument of 'free choice' centred on the idea that Iceland had come so far on issues of gender equality that most families would divide the leave equally if given the opportunity to choose. Probably this would not be the case. However, the argument shows that the basic notion that parents should share the care of children is dominant.

### Questions for discussion

1. How long is the parental leave in your own country?
2. Do fathers enjoy non-transferable quota rights?
3. If yes, was the policy politically debated?
4. If no, has the issue been raised and why have such rights not been implemented in your country?
5. If you compare the take-up rates of fathers in Iceland to your own country, how do they differ?

### Links to online resources

For further information about paid parental leave in different countries please see the website of the International Network on Leave Policies & Research where each country makes an annual country-report on the paid parental leave policy:

<https://www.leavenetwork.org/annual-review-reports/country-reports/>.



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## Acknowledgements

The chapter draws on work in the project *Childcare and labour market participation of parents of children under the age of three*, which has received funding from the Icelandic Equality fund, the Icelandic Centre for Research, and the University of Iceland Research Fund.

## Back from the Brink

### Iceland's Successful Economic Recovery

*Bent Sofus Tranøy and Throstur Olaf Sigurjonsson*

#### From Ruin to Recovery

When it reached Iceland a few days after the Lehman bankruptcy, the financial crisis of 2008 brought one of the biggest banking collapses in history on this small, but economically successful island. Indeed, according to IMF and *The Economist* (2008), Iceland's systemic banking collapse was the largest experienced by any country in economic history, relative to the size of its economy. At the time, no other country had a bigger banking sector relative to its GDP, and Iceland's three major international banks all went bust simultaneously. The challenge to the government was epic. 'At least we have fish', the president sighed during a press conference held following the collapses. Yet the response to this existential crisis produced the policy success that will be discussed in this case study: through balanced economic crisis management a financial collapse worse than anywhere in the severely stricken eurozone, *did not*—as it did in Southern Europe, with gruesome social consequences—translate into a sustained recession.

Towards the end of 2008 Iceland stared into a financial abyss as the sharp burst of growth which had characterized the noughties had ground to a halt and trust evaporated. Access to short-term funding in international money markets dried up completely as the credit squeeze of 2007 morphed into a full-blown panic after the Lehman bankruptcy in September 2008. When credit dried up, the banks collapsed, and the value of the currency fell by a total of 50 per cent. This had repercussions for households, companies and the public sector which had borrowed in foreign currency back when the ISK was strong and foreign interest rates were lower (what was referred to as 'carry trade'). This had a domino-effect on the Icelandic stock market which collapsed to the tune of a 90 per cent fall. Corporate bonds also fell precipitously, while the bonds issued by the holding companies—the 'vessels' used by the raiding entrepreneurs—became worthless (Vaiman et al. 2011).

The three 'Viking banks', as they were admiringly called at the time, Glitnir, Kaupthing and Landsbanki had amassed foreign assets and liabilities that were completely disproportionate to Iceland's economic size and financial resources,

and to its capacity for meaningful financial regulation. By the summer of 2008 the balances of the three banks corresponded to roughly 10 times the size of Iceland's GDP: a remarkable ratio by any standard (Sigurjonsson et al. 2015). As the consequences of what turned out to have been a corrupt and nepotistic financial elite came to light as the crisis broke, serious political unrest ensued. People took to the streets to protest against the government in what has later become known as the 'pots-and-pan revolution.' Within less than four months the coalition headed by the Liberal–Conservative Prime Minister Geir Harde was replaced by the first left-wing government in the history of Iceland. At the same time, a former Prime Minister and erstwhile key player in creating the circumstances that allowed for the transformation of Iceland into an international financial centre, David Oddson, was removed from his position as central bank governor.

Iceland's policy mix in dealing with the crisis, helped by fortuitous circumstances, secured a return to growth after less than three years, and by 2017 unemployment was back down under 3 per cent, while GDP was 15 per cent higher than its 2007 peak, the dramatic fall from 2008 to 2010 notwithstanding. This growth performance was on par with the US's, considerably better than the OECD average (11%) and three times as strong as that of the eurozone (5%) (The Central Bank of Iceland 2018:73–74). In order to gauge the success of Iceland's recovery more precisely, we need to distinguish between financial losses (money lost by banks and investors) and damage to the 'real economy' (i.e. production, growth and employment). Our point is that while Iceland suffered financial losses of world-beating proportions, these did not translate into long-term real economic losses of the same magnitude.

Reinhart and Rogoff (2014) offer two interrelated metrics that are vital to thinking about recoveries. Firstly, how large are the losses measured in terms of output (which in turn reflect employment and general welfare) and secondly how long does it take from peak to trough and back to pre-crisis output levels? They combine the two in a *severity index* by adding the sum of the absolute value of the fall in per capita GDP and how long (in years) it takes to get back to the pre-crisis peak. The two metrics are related because the faster you manage to bottom-out on your losses, the quicker you can start your recovery, which then reduces the time 'available' to accumulate further losses. In short: a 'v-shaped' recovery.

In Iceland, the real economy reached its nadir after just two years. By 2010 output had contracted by 10 per cent per capita in real terms. Consumption fell by 22 per cent, while unemployment rose from 2.3 to almost 8 per cent even as there was a significant reversal of Iceland's migration balance. The 2011 state budget moved from 2009's plus 6 to minus 6 per cent while state debt rose from a mere 28 to a whopping 130 per cent of GDP. This was as bad as it got. By 2011 the economy was growing again and in 2016 it reached its pre-crisis peak in per capita terms,

neatly befitting Reinhard and Rogoff's operationalization of a v-shaped recovery.<sup>1</sup> By the end of 2017 GDP was, as already noted, 15 per cent above the pre-crisis peak; in per capita terms this corresponded to 7 per cent above the numbers for 2007 ([The Central Bank of Iceland 2018: 73–74](#)).<sup>2</sup>

Other crisis countries like Greece and Spain suffered relatively smaller financial losses, yet the real economic impacts were both more severe and more sustained. This emerges from [Benediktssdóttir et al.'s \(2017: Table 10\)](#) updating of Reinhard and Rogoff's index. Greece's total loss of GDP per capita from peak to trough was 26.3 per cent; it took no less than six years to bottom-out and (according to estimates made before Covid-19 hit) 15 years to return to pre-crisis levels. The corresponding figures for Spain were 10.6 per cent, accumulated over the same six years as Greece, while Spanish recovery measured as GDP per capita was achieved in 2019, 11 years after the crisis broke. One very important achievement, therefore, is that Icelandic unemployment (not to speak of youth unemployment) didn't stick. Two important reasons for this are firstly that it never reached the heights it did in Southern Europe and secondly that the devaluation of the Icelandic krona fostered rapid growth of both traditional exports and tourism ([Sigurjonsson et al. 2015](#)).

Reinhard and Rogoff's severity index also provides a point of departure for thinking about the timeline for this chapter. Though it was not until after 2015 that Iceland was completely back on track, our emphasis will be on the years from 2008 to 2011. In these years the financial (and related fiscal) issues were dealt with in a manner that facilitated the v-shaped recovery, which in turn reduced the harm done to the real economy. In proceeding, we will make a distinction between policies that dealt with the crisis (with 2011 and 2015 as our cut-off points) and the more difficult question of whether the underlying issues that created the crisis in the first place have been sufficiently dealt with.

### **Context: EEA, Privatization and the Icelandic Boom-Bust Cycle**

In its survey of the Icelandic economy in 2008, the OECD noted that Iceland had grown at double the OECD rate since the mid-1990s and drew the inference that: '[t]his impressive performance is attributable to extensive structural reforms that deregulated and opened up the economy, thereby unleashing entrepreneurial dynamism, as evidenced by an aggressive expansion of Icelandic companies abroad' ([OECD 2008: 11](#)). Three years later the political economist Herman Schwartz summed up the background for Iceland's financial collapse with this

<sup>1</sup> This a measure that downplays the fact that an economy that does not suffer sudden reversals would normally be at a higher level at this point in time. Economists sometimes refers to this as a permanent loss that will never be recovered.

<sup>2</sup> Iceland's population grew by about 10 per cent between 2007 and 2017.

metaphor: ‘Iceland came late to the global party, drank too quickly, and hit the floor rather harder than larger economies’ (Schwartz 2011: 299).

What these two otherwise very different appraisals have in common is that they both home in on the relationship between entrepreneurial businessmen and the financial sector. The unparalleled economic boom Iceland enjoyed in the 2000s was strongly associated with the growth of its banking sector. The growth trajectory followed a sequence of deregulation, liberalization and privatization (Sigurjonsson 2015). This began when Iceland joined the Internal Market of the EU. On becoming a member of the European Economic Area (EEA) in 1993, the country started a process of adaptation to the pro-market rules and regulations of the Single European Market (SEM). An era of dramatic structural and legislative reforms ensued. The financial sector was opened up to international capital. Innovation and risk-taking was facilitated through lending abroad at low interest rates. This business model worked fine as long as the Icelandic krona (ISK) was appreciating, making debt less worth measured in the currency which the Icelandic debtor typically had its income. Meanwhile the tax code was overhauled and tax rates were slashed to a level among the lowest in Europe (Portes et al. 2007). Liberalization of the financial markets also opened up new opportunities for provisions of securities and eased adaptation to the pro-market rules and regulations of the Single European Market (SEM).

Growth of the financial sector was turbo-charged in 2003 when two of Iceland’s three main banks were fully privatized as part of a larger privatization drive that started upon entering the EEA. The EEA-agreement granted Icelandic banks what was referred to as a ‘European Passport’, that is, the freedom to set up branches or subsidiaries anywhere in the EU. This marked a dramatic break with the past. Historically, Iceland had been characterized by a strong state, employing capital controls in order to protect a weak currency, and extensive public ownership in, and regulation of, the economy. In less than 10 years the small island country opened itself up entirely to free flows of capital.

The performance of the big three banks (Landsbanki, Kaupthing and Glitnir) in the early noughties’ boom was truly extraordinary—and, with hindsight, too good to be true: explosive credit growth all too often ends in tears. Based on quantitative evidence Steve Keen (2017) even argues that the rate of credit expansion is a more significant variable than the volume of outstanding credit relative to GDP when predicting troubles ahead. That said, Iceland hit the upper echelons on both scores. At the end of 2003, the total value of outstanding bonds issued by the big three banks, that is the stock of funds borrowed from (primarily international) investors, was 6,160 billion euros. Just two years later, at the end of 2005, the corresponding figure was a staggering 42,629 billion (Flannery et al. 2010: 99, Table 7).

The privatization process itself had been highly contentious, both in terms of how it was orchestrated and the outcomes it had yielded. An ‘Executive Committee’ for the larger privatization process had been in operation all the way back to

1991. For several years the process was run according to principles established by that committee, but not so when the banks were privatized between 2001 and 2003, when in its role as regulator of the system and steward of its values the government had allowed two vital principles to be eroded: to avoid dominant owners and to keep the privatization process open and transparent. Instead, what began as an apparently open process ended up with a select group of investors—closely related to the two governing political parties—being given the opportunity in backroom deals to take the spoils.

As the crisis broke, dubious business practices quickly came to light. The three big banks had engaged in self-dealing and hidden cross-ownership arrangements, creating fake capital that served as the basis for leveraging each other's balance sheets up ([Special Investigation Commission 2010](#)). They also lent enormous amounts of money to their owners. As the Special Investigation Commission's report produced for the Icelandic parliament ([SIC 2010:10](#)) put it in the understated tone that is the norm for such documents:

[T]he operations of the Icelandic banks were, in many ways, characterized by their maximizing the benefit of the bigger shareholders, who held the reins in the banks, rather than by running reliable banks with the interests of all shareholders in mind and showing due responsibility towards creditors.

Before the edifice came crashing down, however, Icelandic financial entrepreneurs were viewed as heroes. Viking metaphors were thick on the ground. As noted earlier, the OECD (and other influential bodies and commentators) heaped praise on the Iceland that emerged from liberalization, privatization and integration into the world financial system. In March 2006, the Norwegian Foreign Minister, Jonas Gahr Støre ([Utenriksdepartementet 2006](#)) gave a speech on the occasion of the opening of the Icelandic–Norwegian chamber of commerce in Oslo: 'We have taken notice of "the Icelandic wave" ... In Norway, it has manifested itself through several acquisitions in the financial sector. Brave, young, innovative, inventive and hard-working Icelandic entrepreneurs ... Norwegian business has a lot to learn.' The major credit-rating agencies awarded Iceland the much-coveted AAA-ratings. Academics writing reports at the behest of—and paid for by—the Icelandic Chamber of Commerce praised 'Icelandic style' dynamic management characterized by daring and quick decision making ([Wade and Sigurgeirsdottir 2011](#)). Another sign of international approval was the large-scale issuance of so-called 'glacier bonds': bonds denominated in ISK that were used to finance acquisitions abroad. The willingness of investors to buy these bonds meant that they were willing to take on the risk of the ISK falling in value.

At the macro-level Iceland's growth model in many ways replicated the model the US had developed over the previous decade ([Schwartz 2011](#)): excessively leveraged (that is financed by a lot of borrowing and not much own funds), financed



by maturity-mismatched funding (which means to borrow short term to finance long-term assets). In other words, the three Icelandic banks borrowed short term at low interest rates which they used to buy longer-term, higher-risk and higher-return assets. Risky enough in itself, but being relative latecomers to the noughties financial boom they also overpaid for what soon turned out to be shaky assets (Vaiman et al. 2011).

An important difference between the traditional model of bank funding (growing through deposits, what is often referred to as ‘retail’ money markets) and the model that emerged in nineties and noughties is that ‘wholesale’ money markets have no insurer. There is no parallel to the government guaranteed deposit insurance schemes that most countries have had since the interwar crisis. Quite simply, the risk entailed by switching from insured to uninsured sources of funding was not legislated for in any set of financial regulations. Neither EU regulations nor Bank of International Settlements (BIS) recommendations addressed the issue. This proved to be highly problematic. A system of short-term borrowing used to fund long-term, less-liquid assets is a vulnerable one. This is so because it is dependent on creditors renewing your loans (what is called rolling over your loans) every three months or so. If confidence in your ability to pay back evaporates and panic sets in, you get the functional equivalent of a traditional bank run.

A bank run happens when depositors panic and all rush to the bank to take their money out at the same time. To guard against this happening most governments have deposit guarantee schemes. But in the international money market there is nothing to stop creditors from collectively refusing to roll over short-term credits. This problem confronted almost all institutions struck by the September 2008 crash one way or another, but none more violently than the three highly leveraged banks located in Iceland, backed only by a central bank with miniscule currency reserves (Sigurjonsson et al. 2011; *Special Investigation Commission 2010*).

Towards the end of the boom Iceland went through a mini-crisis, a precursor event that led up to and exacerbated the big crisis of 2008. Doubts about Icelandic risk-taking started to creep in, which meant that funding from the money markets got more difficult to come by. Two of the big three banks responded by going on an aggressive hunt for interest-rate-sensitive deposits by establishing internet banks in countries like the UK and the Netherlands (Landsbanki/ Icesave) and Germany (Kaupthing/Edge). While Kaupthing established subsidiaries with separate capitalization and therefore subject to host country regulation—and crucially—deposit insurance, Landsbanki established branches *subject to home country control and insurance*, laying the foundations for the conflict that would later break out between UK and Dutch authorities on the one hand and the Icelandic government on the other (Tranøy 2011).

## Challenges: Money's Too Tight to Mention

The overarching task the new centre-left government faced can be summarized in one phrase: protecting the welfare of the Icelandic population and the financial integrity of the state in the face of an enormous, multifaceted crisis. This entailed a long list of challenges facing Iceland from October 2008 onwards, which we here will break down into two clusters: the need to simultaneously handle a banking and a currency crisis; and the parallel need to address the collateral damage: fiscal crisis, diplomatic/foreign policy crisis (i.e. dealing with foreign creditors and the states that backed them) and a crisis of trust in the political system and Iceland's institutions. We will describe how the currency and banking crises were dealt with initially in this section and return to the other three in the section titled 'Design and Delivery'.

Being a very small and very open economy, Iceland is highly dependent on imports. From the onset of the crisis in October 2008 the loss of confidence in Iceland's ability to finance its imports was so severe that there was a real danger that supplies of basic necessities would dry up—hence the president's 'we still have fish' remark. Although Greece would suffer from shortages at a later stage in their drawn-out crisis trajectories, the immediate concern for the IMF—according to Poul Thomsen (2018) who headed its mission to Iceland—in countries like Spain and Greece was about avoiding defaults, whereas in Iceland it was the prospect of food shortages and lack of critical medical supplies.

An immediate challenge was to prevent a runaway depreciation of the krona (ISK). Both foreigners and Icelanders had strong financial motives for fleeing the currency. After the collapse of its financial system and the British government's placement of Iceland on a 'terrorist list' (under the UK Anti-terrorism, Crime and Security Act 2001), that were normally reserved for entities like al-Qaeda, the Taliban, Sudan, North Korea and Iran, there was scant demand for the nation's money. An illustrative example is a story relayed in *Time* magazine in early November 2008. According to the magazine's sources, the ad agency Saatchi & Saatchi pulled its plans to film a commercial in Iceland in late October 2008, 'because [its] insurance company didn't want to insure equipment and people in Iceland because they were on this list' (*Time Magazine* 2008).

The ISK had risen in a self-reinforcing process during the early noughties where interest rate differentials attracted capital, meaning that higher interest rates attracted more foreign investors which then led to an even stronger krona. This fuelled inflation which made an inflation targeting central bank raise interest rates even more. In turn, this attracted more capital in an upwards spiral of inflation, higher interest rates, currency appreciation and even more capital inflows.<sup>3</sup> In 2008

<sup>3</sup> These dynamics were similar to what several Asian countries experienced in the run-up to what is now known as the Asian crisis.

this process was reversed. But as one would expect, the downward spiral took shape much faster than the one that went upwards. Thus, capital controls were put in place in an effort to stem the flow. Capital controls helped but were not enough to stop the ISK from seeing its value halved in a matter of days. In turn, this led to imported inflation dragging down the purchasing power of households, increased unemployment and because most household's debts were (and are) indexed to inflation, debt levels increased considerably.

The second immediate concern was what to do with the banks. Three banks going belly up at the same time meant that the Icelandic state had to deal with foreign creditors while simultaneously seeking to re-establish a domestic banking system able to provide financial services to the Icelandic population. The size of the combined balance sheet of the three now-defunct banks meant the government could not even come close to having the means to save them. On October 6, parliament passed an emergency act, reordering claims, giving depositors first priority. Previously, depositors had shared priority with bondholders. The act also granted the Financial Supervisory Authority (FSA) extraordinary powers over financial institutions (law 75/2010).

The FSA used its newfound authority to fashion an unconventional scheme for dealing with their collapsed banks. Instead of the more traditional cleaning-up strategy of creating a 'good bank/bad bank' split, where all loss-making investments are collected in one special purpose entity, the government chose a domestic/foreign split. New domestic banks were carved out of the carcasses of the big three, while foreign assets and liabilities were left in the 'old' banks that were now organized as holding companies in receivership. The assets the holding companies inherited were still massive, even after severe write-offs and write-downs (Thomson 2018). The newly created banks took over the domestic activities of the old banks, with all Icelandic deposits guaranteed in full by the government. This guarantee was possible because it concerned claims denominated in local currency (ISK), the supply of which the government ultimately controlled. The Icelandic assets were handed over at their new crisis-affected estimated market value, which translated into a discount of 60 per cent (Benediktsdóttir et al. 2017: 240).

Even so the new banks' assets outstripped their liabilities (i.e. the side of the balance sheet that documents how the assets of a bank are financed), hence they needed recapitalization. This was partly solved by drawing on the assets left in the estates (i.e. the 'old banks') to provide capital injected into the new banks. This way the estates became co-owners of the new banks, with claims on future earnings. The government provided equity and subordinated loans (bonds with higher interest rates and lower priority than other bonds) to the tune of 12 per cent of GDP. The government also took partial ownership of the new banks, proportionate to the financing it had made available. An important result of all these moves was that the domestic operation of the Icelandic banking system was never halted (Benediktsdóttir et al. 2017: 234).

## Actors: The Old and New Regimes

When the crisis broke the two men vested with most formal power to handle it were Prime Minister Geir Harde and David Oddson, Central Bank governor, and former (record) long-serving PM. Both represented the market liberal but EU-sceptic Independence Party (IP) which dominated Icelandic politics from about 1990 and onwards. And both have—not unreasonably—been blamed for being chief architects of the political–economic environment that evolved during the noughties which facilitated the reckless credit growth, and the dubious business practices that created the crisis (Sigurjonsson et al. 2015; Vaiman et al. 2011; [Special Investigation Commission 2010](#)). Both were blamed for negligence and poor governance in the years leading up to the crisis, but before they were purged, the old regime that they led got two big calls right in the early crisis response phase (the banking split and capital controls), while also securing what was both literally and metaphorically a big deal with the IMF.

Two big decisions were made by the Icelandic government and Central Bank in the week from Monday 6 to Friday 10 October. The split between domestic new banks backed by the state (while the estates of the old international banks were left to recover whatever they could), secured both a viable domestic banking system from day one, and a bail-in of foreign creditors. The bail-in, that is a policy of actually making creditors share in the losses, stands in contrast to how things were handled, for example, in Ireland, where a blanket government guarantee was issued to all creditors. Capital Controls were first introduced as a panic measure to avoid running out of foreign exchange and to stop the ISK from plummeting further (its value had slumped to 50% from its peak the year before). In November 2008, after the IMF had entered the scene, capital controls were strengthened and made part of the formal programme Iceland was subjected to. At the time, IMF's embrace of capital controls was surprising, not to say shocking. Over the previous 30 years tying the holders of capital down through such restrictions had come to be considered something of a heresy (Thomsen 2018). A topic we will return to later on. The third positive achieved in the fall of 2008, while the old guard was still in power, was agreement with the IMF which released a total of 4.4 billion US dollars, 2.1 from the IMF itself, the rest in the form of bilateral loans from Nordic countries and Poland. We will return to the IMF-programme under the section headed 'Design and Delivery'.

We have argued that the long-term effects of the decisions made in October/November 2008 were beneficial, but there and then the multi-crisis that nevertheless ensued was beginning to bite. As details of the bankers' shenanigans were beginning to emerge, large swathes of Icelandic homeowners saw payments on their foreign exchange denoted mortgages rise dramatically. Even so, by the end of 2008, no minister or official had resigned from their posts as a result of the crisis. This frustrated the 'pots and pans' protesters who assembled weekly on the

lawn in front of the parliament building. ‘Throw the rascals out!’ became a commonly heard refrain (Bernburg 2016), eliciting major media interest around the world.

In January 2009 things came to a head. The Social Democratic Alliance (SDA) had only participated in government since May 2007 and initially seemed to avoid most of the blame for the crisis (Harðarson 2009). However, the January 2009 polls showed that support for the SDA (Social Democratic Alliance) was tumbling while public sympathy for the protesters was on the rise. The SDA’s response was to demand the post of prime minister. This was not acceptable to the IP (Independent Party), precipitating the end for the coalition between the two parties. Both IP-leader Prime Minister Geir Haarde and SDA-leader Ingibjörg Sólrún Gísladóttir decided to step down, both struggling with serious illness in the midst of the crisis they were being blamed for.

The demonstrations were primarily propelled by unorganized groups, but the Left-Greens (LG), the party occupying the left flank of the party system, was also a driving force. The LG argued that their long-standing admonition of privatization and neo-liberal capitalism had been justified by the crisis. When the centre-oriented Progressive Party (PP) granted its passive support for a left wing government (they named themselves ‘Nordic welfare government’) the SDA and LG formed a new cabinet on the first of February. The new Prime Minister was Jóhanna Sigurðardóttir. Iceland’s first female Prime Minister and the world’s first openly LGBT head of government. She had been an MP for the SDA since 1978, a well-liked and outspoken spokesperson for underprivileged groups and had been Minister of Social Affairs for two periods. Another veteran, Steingrímur J. Sigfússon, became the new Minister of Finance. Founder and leader of the Left-Greens, he was first elected to Alþingi in 1983. In his new role as Minister of Finance he negotiated and presided over reviews of the IMF programme the previous regime had agreed to.

In response to demands from the demonstrators, the new government promised to call an election at the earliest opportunity (25 April was agreed upon) and to remove Oddsson from the Central Bank. Oddsson refused to resign, pointing to the CBI’s formal independence, subsequently a new law was enacted demanding that the CBI’s head had to be an economist (Oddsson was a lawyer). Oddsson resigned the day the law was passed in Alþingi, and a Norwegian McKinsey consultant, economist and former Deputy Minister (Secretary of State) Svein Harald Øygard, was installed as temporary Central Bank governor in late February 2009. The Sigurðardóttir government wanted time to select the new permanent CBI-chief in an orderly manner, so the appointment of Øygard served two purposes: to get a highly competent and experienced individual (he had experience from the Norwegian banking crisis of the early nineties) in place immediately, and buy time for its own process. The election in April gave the hitherto minority government a new and solid mandate. The two socialist parties together got 51.5 per cent of the

vote. The IP suffered its worst defeat ever, their share of the vote decreased by 13 percentage points. For the first time in Iceland's parliamentary history, the Social Democrats—and not the IP—emerged as the largest party at the polls.

Given the complex subject matter, and different subset of problems this chapter deals with, several other actors could have been worth a mention. One is unavoidable, though, Iceland's President, from 1996 to 2016, Olafur Ragnar Grimsson. The position as President had evolved into a figurehead with important constitutional functions, but de-facto limited powers over the affairs of the state. In the Icesave dispute, however, Grimsson decided to break with tradition and use his formal powers to great effect (see section headed 'Bail-ins and Icesave').

## Design and Delivery

The design of the IMF-programme stands out as arguably the most important factor behind Iceland's rapid recovery from its deep financial crisis ([Baldursson and Portes 2018](#)). We can distinguish between four fundamental components or aspects of the programme: its highly restricted use of conditionality, its active use of capital controls, its tolerance of bail-ins as well as (domestic) bail-outs, and, perhaps most importantly the fiscal space it allowed.

### Limited conditionality

According to Poul Thomsen, who headed the mission that travelled to Iceland on 12 October, the programme's conditionality was narrowly focussed on dealing with the acute fiscal and financial issues: '...compared to most other IMF supported programs at the time ... [t]here were no broader structural reforms whatsoever' ([Thomsen 2018](#): 3). This absence of what other crisis countries often found to be irrelevant and sometimes downright abusive demands, facilitated cooperation between Icelandic governments and the IMF. A hard-headed socialist like Sigfússon took what the IMF refers to as 'ownership' of it, and became a willing participant in the further shaping of the programme—which went through five reviews before it was ended in 2011 ([Baldursson and Portes 2018](#)).

### Capital controls

Utilizing capital controls was in clear breach of pre-crisis neo-liberal and IMF-orthodoxy. Despite its historical position as a key instrument in the IMFs toolkit, by 2008 it was so out of fashion that the IMF only had one person left with the relevant expertise: all the others had retired ([Thomsen 2018](#): 5). The IMF also had

to worry about the example it set. Could other countries in Europe's periphery be subject to capital flight because of investors fear that Iceland was the first of many? In the end this effect did not manifest itself. One possible explanation is that Iceland, with its enormous per capita credit losses and small economic base, was perceived as an outlier.

Capital controls come with the advantage of freeing up countries in crisis from using extreme interest rates to defend the value of their currencies. This is because the alternative to imprisoning foreign exchange is to entice it to stay. In normal times the market-based means of doing this is to raise interest rates and create an interest rate differential with other states. In effect, if not by design, this was an integral part of Iceland's growth model before the crisis. In reality the ISK had become an object of speculation. When the bubble burst, interest rates differentials were not enough to stem the outflow and the depreciation that followed many years of appreciation. Capital controls thus defended the currency *and* helped keep interest rates lower than they would have been if they had been fully mobilized to defend the currency. Indeed, the high interest rates that had fuelled economic growth by drawing capital into Iceland before the crash, would now have acted as a break on recovery of the real economy. Capital controls prevented this from happening.

### Bail-ins and Icesave

The de facto emphasis on, and the IMF's tolerance of, bail-ins was a third core feature of Iceland's recovery programme. The banking resolution allowed for delayed asset recovery on part of the foreign creditors. Meanwhile capital controls meant that the holders of 'glacier bonds' could not exchange their ISK-assets into their currency of choice. All this placed risk on foreign creditors and allowed the Icelandic banking system and the Central Bank breathing space through the most critical years.

This came at a price of conflict with foreign creditors and governments, particularly in the case of the Icesave scheme. As we have seen this stemmed from Landsbanki's desperate hunt for deposits in British and Dutch retail markets, as a way of getting out of the mini crisis of 2006. When the 2008 crisis broke, faced with huge demands far exceeding its financial position, the government refused to assume responsibility for debts owed to foreign creditors through its deposit insurance fund. The response in countries like the UK and the Netherlands—where several local and provincial governments themselves had invested in the now worthless Icesave scheme—was visceral. A diplomatic crisis ensued when the UK government—in lieu of other legal means—placed the republic of Iceland on their 'terrorist list'.

The dispute over Icesave ended up before the European Free Trade Area (EFTA) court which adjudicates on legal issues that arise between the EU and members of the European Economic Area (EEA). The court ruled in favour of the Icelandic authorities in January 2013. In the meantime, three Icesave bills have been presented to the parliament, each offering increasingly less austere terms for the Icelanders. Both bill number two and three, were, however, rejected in popular referendums after having been sanctioned by parliamentary majorities. The reason they ended up in referendums in the first place was that President Grimsson responded to public outrage and refused to sign the second bill in 2009, which he had a constitutional right to do. UK and Dutch authorities tried to block Iceland's access to IMF funds, but payments from the IMF-programme were never delayed. All priority claims relating to the Icesave case were eventually paid out from the estate of Landsbanki, which proved to be larger than originally estimated. This process was finalized in 2016, when most asset prices were no longer depressed, and the Icelandic economy was more or less fully recovered.

### Fiscal space: Hybrid austerity

A crucial element in the fiscal strategy first drawn up by the IMF and the Harde administration concerned timing. Iceland was granted a one-year breathing space before any fiscal cuts were implemented. During that year, the so-called automatic stabilizers (i.e. unemployment benefits and other types of social spending that increase when the economy is depressed) were doing the acutely needed buffering work. To quote [Thomsen \(2018: 5\)](#) again: 'A time when private demand is collapsing is not the time to slam the brakes on public spending or raise taxes ... We only began working on balancing our budgets in June 2009', Minister of Finance Sigfússon is quoted as saying in [Øygard's \(2019: 224\)](#) account of his stint as Iceland's Central Bank boss for hire. The public deficit surged from zero before the crisis to 14 per cent of GDP in 2009, as tax income went down and spending increased, without any alarm bells going off. This stands in contrast to how IMF/Troika programmes were implemented elsewhere. One reason for this pacing of the Icelandic programme was that Iceland had solid public finances before the crisis; another is the aforementioned 'ownership' of the programme which Icelandic authorities old and new displayed, which made the IMF trust them.

The priorities were, according to Sigfússon, to strengthen public finances, that is, reduce debts to a level that made interest and debt payments sustainable (60% of GDP was the target). Secondly to protect the social safety net and make the distribution of income more egalitarian. In pursuing the latter goal, the Icelandic strategy reflected the political hue of the government that took over in January 2009 ([Olafsson et al. 2014](#)). It had a clear Keynesian bent in as much as



it prioritized supporting the purchasing power of lower-income groups, thereby protecting aggregate demand as much as one could in the midst of a depression.

More specifically, fiscal policy under the programme consisted of a combination of expenditure cuts: 13 per cent down from 2009 to 2013 (Øygard 2019: 225), tax hikes (which took almost half of the austerity burden) and a redistribution downwards. Direct money transfers to households grew, while services were cut. Benefits targeting the lowest-income groups grew, while those to higher-income groups were cut. This pattern was replicated in changes to direct taxation. Part of the tax burden was transferred from lower-income households to higher-income ones and to firms. The labour-market partners raised the minimum wage, though average wages remained at nominal values (while inflation spiked in response to a weaker currency). A temporary wealth tax on net assets above a given threshold was levied. Lastly, the government opened up some pension funds in order to boost consumption. It also instigated some debt relief, aiding the lower echelons of the income distribution more than others. After a few years of pursuing these policies, income distribution was much more compressed than it had been pre-crisis (Ólafsson 2014: 1).

### Winners and Losers

The main winners of governmental and IMF crisis responses were Icelandic society and institutions. Almost everyone in Iceland (apart from bankruptcy lawyers and special investigators) incurred losses, but relative to other crisis countries the pain was short, sharp and possible to recover from. The single most important factor in this regard is the unemployment level, which decreased quickly and consistently as the response programme unfolded, reaching a healthy 3 per cent by the end of 2016. Among other winners we can count fisheries whose export incomes became much more valuable at home due to the fall of the ISK. The most important growth industry, however, was tourism. It also benefitted from the cheap ISK, but even more so, it turned out, from the volcanic eruption of 2010. This stirred an enormous interest in visiting Iceland, and there was a concerted effort from government and industry to build on this initial windfall. From playing a fairly marginal role before the crisis, by 2016 tourism accounted for 40 per cent of total exports (Benediktsdóttir et al. 2017: 286). One estimate holds that one-third of the employed population may at the time have moved from construction and banking to tourism (Benediktsdóttir et al. 2017: 304).

The most obvious losers of the crisis were the owners and management of the fallen banks and the risk-taking business tycoons. They lost money, social standing and in quite a few cases their freedom. In total the Icelandic judiciary sentenced 36 bankers to a total of 96 years in prison. They came from all three big banks, with Kaupthing topping the incarceration table in terms of both number of bankers and years, Glitnir came second and Landsbanki third. Most of these individuals

became *persona non-grata* in Icelandic business circles for years to come. It is noteworthy that the cases were initially tried in the Reykjavik District Court before being reheard in the Supreme Court. In some instances, cases that were adjudged in the lower court as not guilty were overturned by the superior court or sentences were increased (Hrunid thid munid 2018).

Other significant losers were Prime Minister Geir Haarde who was impeached on grounds of negligence but was acquitted on three out of four charges. He did not serve any time. Later, after his party, IP, had been returned to power, he was made Iceland's ambassador to the US. David Oddsson on his part may have lost his job as Central Bank governor, but soon reappeared as editor of Iceland's major daily, *Morgunblaðið*, which he remained, even if the announcement of his appointment was followed by several resignations and a large volume of terminated subscriptions. He ran for president in 2016, but lost. Former SDA and Foreign Minister 2007–2009, Ingibjörg Sólrún Gísladóttir, was also a candidate for impeachment, but parliament eventually decided against it. Two other ministers were also let off the hook by parliament. Hence, the only impeachment process that ran all the way was the one that concerned former Prime Minister Geir Haarde.

Other losers include Icelandic pension funds—for example, future pensioners—who lost 25 per cent of their assets. We have asserted that Icelandic economy as such was a relative winner. That said it is worth emphasizing that 80 per cent of households had their debt payments indexed to inflation, which in most cases translated into higher interest rates and reduced purchasing power. Another 13 per cent of households had denominated their debts in foreign currencies. This had much the same effect but via a different mechanism: The reduced value of the ISK could for a while double the size of a mortgage loan before the ISK rose again. Importers of foreign capital and luxury goods more or less saw their markets dry up for a period of three to four years. Finally, another large group of losers were foreign investors and creditors. Over time, and as asset prices improved, many foreign creditors got at least some of their money back, but massive losses were still suffered.

### **‘There Is No Alternative’: A Policy without Counternarratives**

Though we can find opposition against single items in the recovery strategy, there was no coherent opposition to the programme as such. Oddsson used his new pulpit (as newspaper editor) to criticize: Øygard, for instance, was labelled a ‘shitbag’ (Øygard 2019: 20) but was unable to offer a real alternative. A lot has been written about the Icelandic financial crisis and recovery and there are different nuances bordering on disagreements about the relative weight of different explanatory factors behind both crisis and recovery. We have not, however, come across anything that qualifies as a counternarrative. Iceland's financial fall was, as stated, the deepest relative to GDP, but when things were to go bad, there were some fortuitous

circumstances. First of all, the fact so much of both the lending and the assets were abroad arguably made it easier to buffer the domestic impact and it certainly made it easier to avoid a larger bail-out. Secondly, Iceland had sound public finances when the crisis hit, which created fiscal leeway and made negotiations with the IMF easier. Thirdly, having one's own currency which can depreciate made it easier to fix the balance of payments. Fourthly, the volcanic eruption proved to be a blessing disguised by ashes and lava. From a methodological point of view, it is impossible to establish experimental conditions or even systematic comparisons between crisis cases between Iceland and the rest of Europe because of radical differences in size and along a few other key variables. What we have tried to zoom in on, however, are some crucial policy choices and the mechanisms these activated. In short, the Icelandic story is about making the best out of the circumstances you are facing.

### **Assessment: An Exemplar of Successful Economic Crisis Management**

This case of a policy success is different from most other cases in this book. It deals not with ongoing public policy but with episodic crisis management: events in 2008–2010 presented Icelandic policymakers and institutions with an extraordinarily demanding combination of high threat, high uncertainty and very little time to act (cf. [Boin et al. 2017](#)). Furthermore, while the typical policy success studied in this volume refers to a more easily circumscribed programme, a full-scale economic crisis demands that fires are put out all over the place. Authorities in Iceland had to deal with simultaneous short- and long-term foreign policy, financial, economic and social issues. Despite these formidable challenges, Iceland's recovery from her financial meltdown can arguably be deemed a policy success along all four dimensions specified by the PPPE framework applied in this book—although the political success experienced by those who handled most of the clean-up job turned out to be more precarious than they would have hoped for.

#### Programmatic success

The public-value proposition underpinning policy choices was simple enough in principle, if difficult to achieve: Save the Icelandic economy and minimize harm to the welfare of the Icelandic population. Through purposeful action Iceland achieved a fast and robust recovery in terms of growth, employment, current account surpluses, debt reduction and distributional outcomes. It is also possible to discern an underlying theory of change. Simply put, while Southern European countries had recovery programmes of a neoliberal and ordoliberal hue foisted upon them, the Icelandic government dipped into the Keynesian toolbox. Given

their commitment to the euro, countries like Greece and Spain were forced into a destructive policy of internal devaluation through austerity and precious little debt restructuring.

In contrast to this, Iceland's room for manoeuvre was significantly larger. It could let the krona depreciate sharply, install capital controls in order to stem flows out of the country, obtain (some would say force through) significant debt write-offs and implement a programme of cuts combined with compensatory measures. This programme, with the IMFs blessing was also designed to shield the most vulnerable. That is, those with the highest propensity to consume were protected. Thus, Iceland was able to retain a functioning welfare state while reducing growth-stilting effects on aggregate demand.

### Political success

The financial crisis produced a deep political crisis for the ruling elites, and the resultant change of government secured initial public legitimacy for the crisis policies chosen. In uncertain times such newly minted political capital is particularly precarious. This also turned out to be the case in Iceland. The left-green alliance did not survive the election of 2013. This probably reflected a combination of the penalty incumbents often have to pay increased by the costs of administering austerity. In addition, there were three specific issues thrust on the agenda by the economic crisis—mortgage relief, Icesave and European Union accession/ negotiations (Indriðason et al. 2017: 28). The accession question came up with renewed force after the crisis, as Iceland—with good reason after being condemned by powerful countries in the initial phases of the Icesave dispute—felt it needed more allies and access to ECB funding. As recovery progressed, however, the salience of the issue slowly evaporated, until it was taken off the agenda in 2014.

### Process success

Transparency is a key criterium in our judgement of the Icelandic recovery as a process success. Iceland's post crisis government was vigorous in its efforts to restore public confidence in its institutions, the single most important move arguably being the establishment of a parliamentary Special Investigating Committee. Hiring an untainted central banker from abroad, and a anti-corruption investigative judge of global reknown as an assistant to the special investigator—the Norwegian-born French magistrate, Eva Joly—were also legitimacy-enhancing moves. It is also noteworthy that some 22 police officers and six accountants from France and Norway were delegated to assist the government investigator on 1 October 2009. On that day the investigator raided the offices of both KPMG and

PwC, the auditors of Glitnir, Kaupthing and Landsbanki in their search for evidence that became part of the Special Investigation Commission's report ([Special Investigation Commission 2010](#)).

## Endurance

It is difficult to assess the endurance when assessing an instance of crisis management. The problem was acute and dramatic and needed immediate and undivided attention. But as the crisis was tackled, the crisis management regime that was put in place in response to the collapse, was no longer needed. Perhaps a more relevant way of approaching the endurance issue is to ask if the preconditions (structural imbalances, lax oversight, corrupt practices and poor corporate governance) that facilitated the crisis (or at least the enormity of it) have been rooted out? Regarding imbalances the answer is a clear yes. Before Covid 19 struck, the current account and the fiscal balance had again turned positive, while Icelandic assets abroad outstripped liabilities. When it comes to corruption and corporate governance there is some evidence to the contrary. The Panama papers contained the name of 600 Icelanders, politicians and business people amongst others. The Icelandic Tax Authority has investigated these cases and prosecuted many for tax avoidance. Speaking on an Icelandic talk show in 2016, Eva Joly contended that Iceland still had a corruption problem (Iceland Monitor 2016). The Icelandic parliament hasn't been able to update the country's constitution, as promised shortly after the crisis. An updated constitution is to make clearer the nation's rights to the country's natural resources, commit to increased transparency in public administration, protection of media and whistleblowers, the public's right to information at the societal, political and economic levels, and more.

On the positive side, improvements have been achieved on many of these issues. Increased transparency has been enhanced by updating corporate governance codes and making them more comprehensive. Iceland also became one of the first countries in the world to introduce a gender quota for corporate boards. The prosecution of bankers and various others has opened up many positions on the upper echelons of Icelandic business life, with women filling many of these. The Financial Supervisory Authority has gained more leverage in its supervisory efforts and so has the Central Bank. The two institutions were merged in 2020 in order to further this goal. Icelandic universities have increased the number of courses on business ethics. This is the result of managers themselves complaining about lack of solid preparation for managing ethical dilemmas in business situations.

## Lessons from a Crisis Iceland Had to Have

If by lessons we mean those pertaining to the pre-crisis period, Iceland is just an extreme case of what has been learned in many other places. Most of these

lessons were available—also in formalized form—before the crisis, but the schools of thought they stemmed from (post-Keynesian economics and economic history) were out of fashion and simply not taught in most economics departments. These lessons include the need to display extreme caution in the face of rapid credit growth, the need for tighter regulation and supervision of financial activities in general, mindfulness of how euphoric phases tend to stimulate rule-breaking and the tendency of actors who have assumed enormous risks to double down at the first sight of real trouble (the Icelandic internet banks being one of several cases in point) (Aliber and Kindleberger 2017).

One lesson that springs from even a casual comparison to Southern European crisis experiences post-2008 is that hybrid austerity with Keynesian components works better than uncompromising austerity with strong conditionality to boot. A second lesson is that bail-ins and delayed payments of recovered funds are helpful to a country in crisis. The underlying moral issue is also worth reflecting upon. Is credit going bad the sole responsibility of the debtor, or is it a two-way street? One argument for the latter position is that a main function of credit markets—in both theory and practice is to price risk. The higher the risk, the higher interest rates you as a creditor can demand. Thus, complete bailouts, where creditors suffer no losses, fly directly in the face of the notion of credit risk being assumed and priced. Finally, one can speculate that vigorous prosecution of an economic fiasco's culprits increases political legitimacy for the broader crisis response effort and helps a stricken society move on psychologically.

### Questions for Discussion

1. Is liberalization of the financial sector different from other types of liberalization?
2. Which were the most important problems decisions makers dealt with when managing the crisis?
3. Why was the Special Investigation Committee important?
4. What was the role and importance of the IMF in the recovery process? Do you see differences between the strategy chosen for Iceland from those chosen elsewhere?

### Links to online resources

The Icelandic banking collapse: was the optimal policy path chosen? <https://www.cb.is/library/Skraarsafn—EN/Working-Papers/WP%2062.pdf/>.

Iceland: High growth, low inflation and ... What's behind remarkable performance? [https://ec.europa.eu/info/sites/info/files/economy-finance/eb037\\_en.pdf/](https://ec.europa.eu/info/sites/info/files/economy-finance/eb037_en.pdf/).

Comparison of crisis Iceland and Greek:

<https://voxeu.org/article/imf-programmes-greece-vs-iceland/>.

Iceland independent economic policy, holding finance accountable: <https://www.resilience.org/stories/2019-08-16/iceland-independent-economic-policy-holding-finance-accountable-and-experimenting-with-local-democracy/>.

Report of the special investigation commission (SIC):

<https://www.rna.is/eldri-nefndir/addragandi-og-orsakir-falls-islensku-bankanna-2008/skyrsla-nefndarinnar/english/>.

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PART V  
POLICY SUCCESSES IN FINLAND



## The Finnish baby box

### From a volunteer initiative to a renowned social security benefit

*Ella Näsi and Karoliina Koskenvuo*

#### A box full of meaning

The ‘baby box’ is an example of a successful social policy in Finland. The benefit is officially called maternity grant (*äitiysavustus*), and it can be obtained as a maternity package (i.e. a baby box, *äitiyspakkaus*) or an alternative cash benefit. The Finnish baby box contains approximately 50 pieces of baby clothing and care items for the infant and mother. The baby boxes are provided free of charge by the Social Insurance Institution of Finland (Kela) to all pregnant mothers or adoptive parents residing in Finland, and they are accepted by 95 per cent of first-time parents.

This chapter highlights the evolution of the Finnish maternity package alongside the development trajectory of Finland and its social security and healthcare systems as a whole. The first baby boxes were a result of innovative volunteer actions and engagement in 1922. Thereafter, the baby box was adopted as a governmental policy in 1937 and re-enforced as a universal, equally and freely available benefit for all mothers in 1949. The establishment of the baby box policy is considered a part of the wider societal developments that have transformed Finland from being one of the poorest European countries with a high infant mortality rate into a modern welfare state with universal healthcare and social security systems and one of the lowest infant mortality rates globally.

Today, the baby box is still considered a valuable social security benefit in Finland (Valkama et al. 2020: 36). It is remarkable that the Finnish baby box has not met any major political conflicts or disagreements. Instead, the baby box concept, being almost as old as the independent state of Finland, still thrives as one of the most well-known Finnish social innovations (Taskinen 2014: 101–103). Therefore, this enduring universal social benefit is worth closer examination.

The baby box has an important, practical and symbolic role in today’s society (Haataja and Koskenvuo 2017). It has evolved from a package of basic necessities a poor country was able to offer during hard times to a timeless gift that unites

generations and reduces parents' stress while preparing to welcome a new family member (Taskinen 2014: 101). The baby box has also become an internationally recognized brand for Finland, as it has gained constant interest among media and policymakers as a successful public policy promoting health and well-being. The concept has been adopted in at least 60 countries (Koivu et al. 2020).

The baby box was invented by volunteers a century ago, yet it has endured. In Finland, the baby box has remained popular and maintained its legitimacy as a universal and uncomplicated social security benefit over time. Its intertwined history with both the social security and the health service systems is discussed next.

### **The historical setting in which the baby box was invented**

The history of the baby box is entangled with numerous other societal developments, which have taken place during the last 100 years. For reasons related to social structure, history and politics, the formation of social security in Finland has differed from that of the other Nordic countries (Niemelä and Salminen 2006: 9–10). During the time of its independence in 1917, Finland was lagging behind many other European countries in various aspects, including wealth, educational level and health services. The standard of living was low and the GDP per capita was only 40–70 per cent of the GDPs in leading European countries, such as the UK, Belgium or Sweden (Hjerppe 1990: 35–7, 118–29; Hjerppe 2008; Kokkinen 2019). However, it is to be noted that prior to 1917, while still an autonomous part of Russia, Finland was allowed to develop its own 'state' institutions—excluding army or police—which all became useful once Finland became independent.

The formation of social security started to develop slowly after independence. Finland was an agrarian society, in which 60 per cent of the population was working in farming and forestry, and industrialization and urbanization were slowly taking effect. Both men and women took part in making a living, usually working either in agriculture or in industry (Hjerppe 1990, 2008; Markkola and Östman 2019). Nevertheless, most of the population was poor (Siipi 1967; Korppi-Tommola 1990). In practice, many people had shortage of clothing and other necessary items, and the level of hygiene was low (Hjerppe 1990: 118–29; Siipi 1967; Korppi-Tommola 1990). One of the major concerns was the infant mortality rate, which was one of the highest in Europe due to major public health challenges, such as pneumonia, influenza, tuberculosis and other communicable diseases (Korpi 2010; Korppi-Tommola 1990). Already in the late nineteenth century, when Finland was still a part of Russia, Finns had come to realize the emergence and importance of social problems related to industrializa-

tion and internal migration to cities, which brought about new societal changes and challenges. The general debate on establishing a social security system in Finland had already started then, before independence. In the rural areas, the pressing societal questions concerned the disadvantaged groups, who were tenant farmers or landless agricultural labourers working on others' estates (Hjerppe 1990: 52; Hannikainen 2019). The richer, often Swedish-speaking elite, had access to land ownership, education and international contacts. The wealthy had possibilities to travel and study abroad, bringing home best practices and new ideas to be utilized in the long process of modernizing Finland (Hjerppe 1990: 95; Koponen and Saaritsa 2019: 376).

The first significant step towards social security was the 1922 law requiring municipalities to support the poor. The land reforms, which started in 1918, made it possible for tenants on small farms to purchase the land they were farming (Hjerppe 1990: 53; Hjerppe 2008). However, the provision of social security was thin, as municipalities were short on funding and the aid was mostly provided in the form of loans (Siipi 1967; Hannikainen 2019). As the only other existing forms of social insurance were statutory workers' compensation insurance (from 1895) and voluntary sickness funds, mainly for industrial workers, there was a clear need for a law on sickness insurance. The demand for financial aid to mothers during pregnancy and childbirth was also recognized. However, the policy-making process in setting up a proper social security system was complicated and slow. The law-drafting started in the 1920s and, as a result, the government proposed a Sickness Insurance Bill in 1927. The proposal included provision of a maternal allowance during the six weeks prior to giving birth and six to twelve weeks after birth, depending on a doctor's or midwife's assessment. The proposed bill also called for the establishment of municipal sickness insurance funds and it included private sickness insurance funds, which were to cover all workers employed by private employers or municipalities. The major parties wrestling for power on this issue were the Social Democratic Party, advocating mainly for the urban working population, and the Agrarian League, advocating for the rural population. The bill was stalled in 1929, as, at that time, it was possible to allow the law to rest with one-third of the parliamentary representatives' votes. The reform met with opposition from the Agrarian League, as it would not have covered agricultural workers on small farms or certain other groups. This setback underlines the polarization of the interests between the Social Democrats and the Agrarian League concerning social security issues at the time (Haatanen 1992).

As the Finnish government was not able to provide social security until the end of the 1930s, it was important for charities, relatives, and the church to retain significant roles in supporting the disadvantaged (see Hjerppe 1990: 139). While a comprehensive social security system stayed on the political drawing board for

a long time, NGOs, such as the Drop of Milk Association<sup>1</sup> and the Mannerheim League for Child Welfare, sought to fill the gap and maintain momentum. Poor relief was mainly provided as in-kind help in the form of food, firewood or clothing. The precursors of the baby box followed a similar type of idea in 1922, when the Mannerheim League for Child Welfare started to provide poor mothers with necessary baby clothing and hygiene items (Riihola 2010: 107–8). The next section takes a closer look at the birth of the baby box concept and the other means for enhancing maternal and infant health and well-being during the period 1920–1950.

### **The Mannerheim League for Child Welfare: advocating for maternal and infant well-being**

The Mannerheim League for Child Welfare, a charity organization established in 1920, was one of the major advocates for purposeful action in tackling high infant and child mortality rates. Its other aim was to support vulnerable mothers and to enhance the level of maternal and child healthcare (Korppi-Tommola 1997). Already in 1918, nurse Sophie Mannerheim,<sup>2</sup> the founder of the Mannerheim League for Child Welfare, established a women's shelter called 'Children's Castle' (*Lastenlinna*) in Helsinki.

In addition to providing a place to stay for vulnerable single mothers, Sophie Mannerheim also started to provide child healthcare services for families living in the neighbourhood. She set up a clinic, where she invited young paediatrician Arvo Ylppö to work and perform medical check-ups for children and advise mothers on childcare and hygiene issues alongside a nurse (Korppi-Tommola 1990). In just three years, this work yielded excellent results in the area around the Children's Castle clinic, where infant mortality sank from 15 per cent to 3 per cent implying that basic healthcare services improve infant health (Haataja and Koskenvuo 2017). Consequently, Dr Ylppö became a prominent advocate for maternal and child healthcare, and also accelerated the development of a nationwide network of maternal and child health clinics. By 1944, when the maternal and child health clinic network was established on a statutory basis, there were already 300 clinics, often established by or in cooperation with the Mannerheim League for Child Welfare (Korppi-Tommola 1997).

<sup>1</sup> Gouttes de Lait was an association found in France in 1894. The idea spread quickly to other countries. Nurse Greta Klärlich got acquainted with this action in Sweden and brought the idea to Finland. The first Drop of Milk /Mjölkdroppen / Maitopisara station was established in 1904 in Helsinki, where milk and advice were provided to mothers in need (Riihola 2010: 41).

<sup>2</sup> Renowned Carl Gustaf Emil Mannerheim, Marshal of Finland, President of Finland, was her brother.

## First versions of the baby box

The first versions of the baby boxes were provided to poor mothers as a form of charity action by volunteers of the Mannerheim League for Child Welfare in 1922. The idea came from one of the volunteers, Mrs Ilmi Hallstén. The first baby clothing was inspired by babywear Dr Arvo Ylppö brought from Germany. He was internationally well connected and was staying in Germany to prepare his doctoral dissertation and work as a chief physician (Riihola 2010: 51). Textile-producing companies donated the materials, and the Hamina chapter of the Mannerheim League for Child Welfare was the first to start producing these packages, which, at the time, were called *circulating baskets*. Volunteers sewed baby clothing and packed them with linens and hygiene items into these circulating baskets, which were lent to mothers in need. The baskets and their contents were meant to be returned after the baby had grown older. Volunteers then maintained and laundered the contents of the baskets and passed them on to the next family in need (Korppi-Tommola 1990). This volunteer initiative marks the birth of the baby box concept.

In the following year, already 28 chapters of the Mannerheim League for Child Welfare had started this form of voluntary action. Five years later, there were over 180 chapters with sewing circles for women who wanted to support the disadvantaged families. This kind of voluntary work was popular, as it constituted sewing and needlework, which were common pastime activities for women at the time, offering also opportunities for meaningful social gatherings. The help was concrete, as there was a clear need for the baby clothing among the poorer population all through the 1930s and during wartime (1939–45) (Korppi-Tommola 1990).

## Maternal and infant well-being into state's realm

The governmental social security benefits remained almost non-existent for the first 20 years of independence. In 1937, the Maternity Grants Act, providing mothers with baby clothing and care items, was enacted together with the first National Pensions Act. As a result, the Finnish government began to provide maternity grants (i.e. the baby box or the alternative cash benefit) for low-income mothers in 1938 (Government bill to Parliament 12/1937). Considering the lack of monetary funds by the government, it was practical to provide in-kind benefits as an alternative to cash benefits (Niemelä and Salminen 2006: 9–10). While the formation of the other act laying the ground for the Finnish pension system involved several political conflicts, the origins of the Maternity Grant were and remain uncontested (Kangas 2006: 4–13; Niemelä and Salminen 2006: 9–10).

The passing of the National Pensions Act and the Maternity Grants Act constituted the first concrete political achievements in the long effort to set up a social

security system for the citizens of Finland. The National Pensions Act as well as the formation and development of the Finnish pension system were a result of serious political debate, processes and deliberation with the influence of several actors (Hagfors et al. 2008: 8). The National Pensions Act was undoubtedly the clear first step towards the Finnish welfare state, and the political solution was affected by the independent peasantry. The adoption of the national insurance and the universal social policy was eased by the compromise between the rural population advocated by the Agrarian League and the urban working population advocated by the Social Democrats. The compromise resulted from the new centre–left government cooperation between the Social Democrats and the Agrarian League. This political cooperation in the 1930s was a reaction to extremist tendencies from both the left and the right. The National Pensions Act shifted the trend in social insurance from private insurances towards national insurance. (Niemi and Salminen 2006: 9–10; Riihinen 2008: 230).

It is noteworthy that the national pension system was universal in the sense that all Finnish residents between the ages of 18 and 55 were insured. Contrary to the pension system, the government-funded maternity grants—provided in the form of items or cash—were means-tested. It was left to the social welfare committees in municipalities to determine who were eligible for the benefit.

During the interwar period, many were still living in need in Finland. Therefore, the government’s legislative rationale for the Maternity Grants Act in 1937 was mainly related to alleviating expecting mothers’ financial stress by offering them the essential items or an alternative cash benefit (Government bill to Parliament 12/1937). Thus, the baby box was intended to provide women with financial or in-kind assistance as compensation for their loss of income due to not being able to work during the last weeks of pregnancy, during childbirth and the weeks following it. In fact, the maternity grant did bring significant alleviation to mothers’ financial situation, as the means-tested maternity grant was the only social benefit given to women to support them during childbirth. Back then, the baby box was a relatively more significant benefit than in contemporary Finland, where parents are eligible for many different family benefits, such as parental allowances and child benefits.

### **The baby box becomes universal and conditional**

In 1938, when the distribution of the first governmental baby boxes started, approximately two-thirds of new mothers received a maternity grant, which equalled more than a third of the average monthly wage of an industrial worker (Kela 2021a; Tarsalainen 2017). The municipal social welfare boards were to assess who were eligible for the grant provided in the form of clothes or cash or a



combination of both. However, in the following years, there were many complaints from mothers who did not get the maternity grant.

In 1949, the government proposed the amended Maternity Grants Act and the parliament approved it. Thereafter:

- 1) the grant became a universal benefit to all expectant mothers, regardless of their income, living in Finland or working on Finnish ships as citizens or asylum seekers, and
- 2) to receive the grant, the mother had to attend a doctor's or midwife's appointment or visit a municipal maternal healthcare centre to have a check-up and to receive advice. ([Government bill to Parliament 11/1949](#))

As mentioned earlier, the condition was added to ensure the health of the baby: to receive the maternity grant the pregnant mother was required to attend antenatal healthcare. ([Haataja and Koskenvuo 2017](#); [Valkama et al. 2020](#): 5; [Government bill to Parliament 11/1949](#)). Through this condition, the lawmakers aimed to incentivize healthcare usage, as the vast majority of the population had a low level of knowledge of pregnancy-related health issues. Consequently, the baby box policy became geared to enhancing public health.

In addition, the government's role and the municipalities' responsibilities in child healthcare were strengthened in 1944, when the legislation on municipal maternal and child health clinics was passed. The municipalities became responsible for ensuring all families had access to maternal and child health clinics, which were to provide services free of charge. In addition, universal child benefit was enacted in 1948 following Sweden's example ([Kulhia 2011](#): 44).

Developments in maternity benefits were not happening only in Finland—child benefits and maternity allowances were developed in several European countries between the world wars. According to [Särkelä \(2013: 2\)](#), the motives were broadly similar in all countries: increasing the birth rate by improving the position of children and mothers. However, only in Finland did the maternity grant evolve into a universal in-kind benefit. According to [Särkelä \(2013: 2\)](#), the baby box addresses a combination of objectives—enhancing public health and fostering population growth—in a unique manner.

After this summarized history of the Finnish baby box, the following sections take a closer look at the elements that have made the baby box a policy success and how the concept has evolved since the end of the 1940s.

### **What makes the baby box a policy success?**

The Finnish baby box enjoys resilient programmatic success in that the policy's aims, values and means of achieving them have gained long-lasting and wide

acceptance within Finnish society. The process success of the baby box policy lies in the uncontested nature of the policy-making process and in the policy's secured finances within the state budget. The baby box enjoys firm support within Finnish society at all levels and has not faced major political disputes. The policy also continuously raises international interest. Therefore, the baby box policy can also be considered a political success. The policy's endurance underlines its success as the government-funded baby box was established by law in 1938, and it is still available to and welcomed by expecting families in Finland.

### Programmatic success

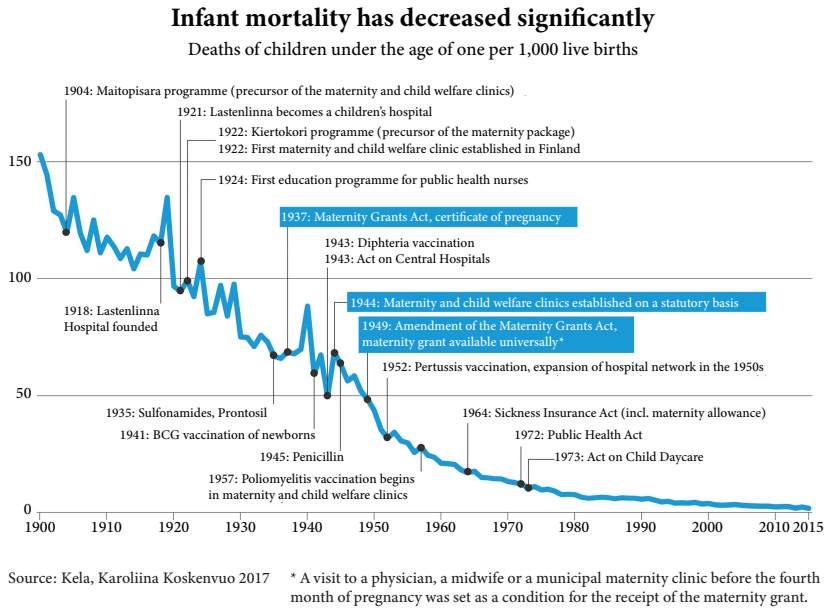
The baby box was invented as a tangible social benefit aiming to promote the well-being of babies and mothers. Primarily, the argument before the 1937 Maternity Grants Act stressed the importance of alleviating the mothers' financial stress during childbearing ([Government bill to Parliament 12/1937](#)). Indeed, having a child is a life event causing financial distress to varying degrees depending on the parents' financial situation because, in practice, pregnancy, delivery and child-care necessitate at least the birth-giving mother to take a leave of absence from work. Meanwhile, the newcomer requires clothing, care items and equipment, whereupon the baby box, which includes essential care items for the baby and the mother, helps to balance the increased material needs and decreased financial income within the growing family. According to a recent customer survey, a majority of parents agree that receiving the baby box relieves some of the stress related to the turbulent times of becoming a parent ([Valkama et al. 2020](#): 16). In today's Finland, parental allowances based on earnings are also available. Both parents are encouraged to share the parental leave and both parents are allocated their own quota for parental leave ([Government bill to Parliament 129/2021](#)).

In addition to supporting the mothers' finances, the practical design of the box and the careful consideration of what kind of items promote the well-being and health of the newborn and the mother ([Kela 2021b](#)) are instrumental in the concept's inherent success. It was especially useful in the old days, as the box itself and the included mattress could be used as a clean bed for the baby ([Koskenvuo 2017](#)). As many families lived in crowded, temporary housing during and after World War II, having their own, separate sleeping spaces may have lowered the babies' risk of catching infectious diseases ([Ahmala et al. 2014](#); [Haataja and Koskenvuo 2017](#)). Today, 30 per cent of parents report using the box as a bed for their child, and the baby box and included items are regarded as a valued gift given by the state to all babies and their parents ([Valkama et al. 2020](#): 5, 23). The selection of items in the box is occasionally tuned to nudge parents' behaviour and practices. For example, a feeding bottle was included in the baby box from 1998 to 2000 but once it was established that breastfeeding has various positive health benefits for both

the mother and the baby, bottles were excluded from the box (Tarsalainen 2017; see also Bar et al. 2016; Chowdhury et al. 2015; Horta et al. 2015). To encourage breastfeeding, the current version of the baby box includes nipple cream and breast pads for the mother. These examples illustrate how the box and included items are chosen with public health and preferred parenting behaviours in mind.

Furthermore, the essence of the *programmatic success* of the baby box lies in the 1949 adjustment of the policy, when the condition for claiming a baby box was to be achieved through attending antenatal care. This conditionality links the baby box to very high attendance rates—currently over 99.7 per cent of all pregnant mothers—at maternal and child health clinics (Klemetti and Hakulinen-Viitanen 2013: 307). Many experts agree that the conditionality of the baby box has acted as an important motivation for mothers to start attending antenatal healthcare (Taskinen 2014: 103). This is important in ensuring that all mothers receive regular health check-ups during pregnancy. High infant mortality rate was a national concern during the first half of the twentieth century. Concurrently, encouraging families to have children and helping them to keep their babies safe was seen as a priority. (Särkelä 2013: 2; Tarsalainen 2017). Indeed, lowering the infant mortality rate was one of the challenges that the governmental baby box sought to tackle. It is also worth noting that the governmental baby box was invented and developed to help indigent mothers in Finland during the era between World War I and World War II. In this political context, the worries related to high infant mortality and low birth rates got slightly more depth: quite simply, the government of Finland wanted to ensure a strong nation (Särkelä 2013: 2). Thus, the baby box was also seen as an incentive for having a child, especially after World War II (Särkelä 2013; see also Ritamies 2006: 146).

However, it is important to recognize that by the time the first governmental baby boxes were distributed, infant mortality already had a steadily decreasing trend. Thus, it is relevant to acknowledge the various other medical, societal and political developments that have also been important in enhancing public health and decreasing infant mortality (Koskenvuo 2017). These include gradual advancements in hygiene, nutrition, education, general standard of living and healthcare (Hjerppe 1990: 87). In the 1930s and 1940s, major advancements took place in the pharmaceutical treatment of life-threatening bacterial infections: prontosil, a sulfonamide drug, was introduced in the mid-1930s followed some ten years later by penicillin. The BCG vaccination of newborn infants, which began in 1941, was a crucial step towards the eradication of tuberculosis. Anti-diphtheria vaccination started a few years later in 1943, and during the 1950s, the vaccination programme expanded to cover pertussis and poliomyelitis. A maternity and child health clinic network was set up during the 1930s, 1940s and 1950s, and the hospital network grew rapidly during the 1950s. On the legislative front, 1964 saw the introduction of the Sickness Insurance Act, while the Public Health Act was passed in 1972 (Koskenvuo 2017; Haataja and Koskenvuo 2017; see also



**Fig. 20.1** Decrease of infant mortality in Finland (1900–2015)

Hjerppe 1990: 137, 139). In fact, strong emphasis has been given to maternal and child healthcare services in Finland (Vuorenkoski et al. 2008; Hakulinen and Gissler 2017).

All of these developments have contributed to lowering infant mortality as depicted in Figure 20.1 (Koskenvuo 2017). At the beginning of the twentieth century, infant mortality was as high as 153 deaths per 1,000 live-born children (Hakulinen and Gissler 2017; Koskenvuo 2017). It dropped significantly to 75/1,000 in 1930 and further down to 21/1,000 in 1960. Today, the infant mortality rate in Finland is only 1.8/1,000 live-born children, which is one of the lowest globally (Statistics Finland 2021; see Figure 20.1).

The condition requiring the mother to attend antenatal care to receive a baby box is not very relevant any more because visiting antenatal care has become the norm on its own in Finland. Nevertheless, it is likely that the policy itself has contributed to the establishment of this social norm (Koivu et al. 2020: 27). In fact, previous research evidence suggests that conditional policy programmes may influence shifts in social norms (Sidney et al. 2016), and, thus, we argue that the almost simultaneous launch of the universal and conditional baby box policy and the development of a national network of maternal and child health clinics have strengthened each other's significance to expecting mothers in Finland.

The baby box's objectives have slightly shifted from ensuring essential basic material support and incentivizing antenatal healthcare attendance to focusing

more on providing an attractive and efficient set of baby clothing and care items supporting people in preparing for a new phase in their lives—parenting (Valkama et al. 2020: 6). However, the beneficiaries this policy is designed to affect have stayed the same since 1949: all expecting mothers and their babies. The only shift in the targeted beneficiaries happened during the 1970s, when the fathers' role in caring for and the upbringing of the baby was acknowledged alongside the mothers. The educational brochure included in the baby box used to be called 'To Mother' but was renamed as 'We're having a baby' in the 1980s. (Särkelä 2013: 5; Taskinen 2014: 102). Therefore, target beneficiaries of the baby box are no longer only the mother and the baby; instead, all new parents are considered target beneficiaries. Regarding gender sensitivity, there have been initiatives to change the Finnish name of the benefit, which translates as 'maternity package' (*äitiyspakkaus*), to a more inclusive one. For example, Emma Kari, Member of Parliament representing the Greens, proposed that the name be changed to *family package* or *baby package* in 2017 (Kirjallinen kysymys 69/2017). Minister Annika Saarikko, representing the Centre, welcomed the proposal but 60 per cent of the 30,000 Finns who took part in a survey were in favour of keeping the well-trodden name (Saarikko 2017; Hanhinen 2018).

### Process success

The *process success* of the baby box lies in how uncontested the policy-making process has been and in its finances having been secured in the state budget. All through the 1920s, 1930s and 1940s, social policies were on the agenda and different committees were working on the issues. Political debates were strong on who should be eligible for different benefits. The baby box policy was designed alongside the wider developments of a social security and healthcare system. In fact, the first Maternity Grants Act was enacted hand in hand with the first National Pensions Act in 1937, coming to force in 1938.

The baby box was initiated as a means-tested benefit, which rapidly evolved into a universal benefit in 1949. The ideology of universalism, adopted from Sweden in the 1940s, is a principle still strong today, especially in certain family benefits—namely the maternity grant and the child benefit. In addition, the principle requiring the mother to attend antenatal care to receive the baby box has been kept since 1949. As a universal benefit incentivizing parents to attend maternal healthcare centres at an early stage, the baby box marks a turning point in Finland's history, when the country started its transformation from a poor agrarian country with a high infant mortality rate into one of the most advanced welfare states in the world (Taskinen 2014: 103; Niemelä and Salminen 2006: 9–10).

The baby box policy's implementation has not met any major setbacks as the key concept of providing baby clothing and care items has remained somewhat

intact over time. The practical design of the early baby boxes has been at the heart of its success. The baby box was an important in-kind benefit, as many families were lacking items, such as a bed for the baby, bed linens and baby clothing in the 1930s and 1940s (Ritamies 2006: 131). At first, municipal social committees assessed who were eligible for the maternity grant. Thereafter, the National Board of Social Welfare (currently called the National Institute for Health and Welfare) and the Government Purchasing Centre provided maternity packages. Since 1994, the maternity grants scheme has been administered by the Social Insurance Institution of Finland (Kela 2021a).

When the first governmental baby boxes were introduced in 1938, clothing was still usually homemade, and, therefore, the early maternity packages contained fabrics suitable for baby clothing. They also contained muslin squares that are still featured in the baby boxes today. In 1957, fabrics and sewing materials were replaced by ready-made pieces of clothing made of white or unbleached cotton. Mothers would often embroider the clothing for a more personalized appearance. The quantity and quality of the clothing provided in the package has increased gradually. The traditional fabrics were replaced by colourful designs and stretchy materials in the 1970s (Taskinen 2014: 101–3; Tarsalainen 2017). Nowadays, there are approximately 50 different items in the box. The items are chosen by an expert panel consisting of representatives from Kela, the National Institute for Health and Welfare, the Ministry of Social Affairs and Health, the Finnish Safety and Chemicals Agency and the City of Vantaa Maternity Clinic. The panel evaluates and tests product samples offered through a competitive tendering process and thereafter proposes the products to be selected (Kela 2021b).

### Political success

In addition to the positive impacts the baby box has on parents and families, the policy has a wider impact on Finnish society as a symbol of the welfare state (Valkama et al. 2020: 15–6). The baby box has not faced major political disputes and it enjoys firm support at home and abroad. Therefore, the baby box policy can be considered a *political success* for the image and reputation of Finland as a welfare state.

The box is a tangible benefit that raises positive emotions and provides material for human interest stories, such as the stories published by the BBC News (Lee 2013) and BBC Capital (Smirnova 2018) explaining the history of the baby box and interviewing parents and experts about the meaning of the baby box in today's Finland. According to Koivu et al. (2020: 15), Lee's article on BBC News in 2013 caught international attention and sparked locally adapted baby box interventions in multiple countries. In fact, Finnish governments have deliberately used the baby box as a tool for political PR. They have promoted the baby box through

embassies abroad and by sending baby boxes as gifts to international dignitaries, such as William and Catherine, the Duke and Duchess of Cambridge, in 2013 and Crown Princess Victoria and Prince Daniel of Sweden in 2012.

In her article, [Smirnova \(2018\)](#) called the baby box ‘a magic box’ and speculated that it reflects the Finns’ egalitarian approach and a sense of shared social responsibility. The baby box policy does not discriminate between parents or families based on their income or any other attributes. Instead, when it comes to the baby box, everyone is equal: all babies are entitled to the same set of items ([Smirnova 2018](#)). Consequently, the baby box could be seen as a leveller, as generations of parents have been freed from worrying about their relative affluence reflecting in their baby’s clothing. The baby box also helps to create a feeling of security, as parents can rely on receiving it—and certain other universal family benefits—under all circumstances. These issues were elaborated by sociologist Anna Rotkirch, one of the experts interviewed for the BBC, who heads the Population Research Institute at the Finnish Family Federation: the baby box helps to create cohesion and trust in society by giving all children a similar start in life ([Smirnova 2018](#)).

The baby box also confers reputational benefits on the Social Insurance Institution of Finland, which administers tens of different social security benefits and services. The baby box is one of its ‘poster products,’ and releasing the new designs of each year’s baby box items is always a major public relations event that attracts wide media coverage ([Kela 2021c](#)). In sum, the baby box policy, being an exemplar of the Finnish welfare state, yields positive reputational outcomes to Finland as a child-friendly country and to the Social Insurance Institution of Finland, the organization administering the baby box.

## Endurance

The policy’s *endurance* is noteworthy: a government-funded baby box policy was established by law in 1938, and it is still available to expecting families in Finland. Thus, receiving the maternity package has an established and appreciated role as part of the Finnish social security system ([Valkama et al. 2020](#): 36). The need for maternity packages was questioned in the 1980s as families became wealthier. However, since the maternity package remained as popular as ever among new parents, a decision was made to continue to offer them. A legislative amendment made in 1990 expanded the right to maternity grant to adoptive parents ([Tarsalainen 2017](#)).

The baby box and the included items are more valuable than the cash benefit of €170, and according to the latest statistics, approximately 94 per cent of first-time parents choose the box instead of the alternative cash benefit. However, there is no evidence on whether the higher value of the in-kind benefit is a decisive factor for parents in choosing the box instead of the cash benefit. On the other hand,

only about a half of the families who already have children choose the baby box. The most common reason given for choosing the cash alternative is that the family already has most of the necessary items. Some parents prefer to buy only the items they really need. Second-hand baby box items are abundantly available in charity shops often at a low price (Valkama et al 2020: 12–4). Regardless, the baby box enjoys a high level of appreciation among the population. This is reflected in how people describe their experiences of the baby box: receiving and unboxing it at home is a happy rite shared by generations. Or, as a respondent in one of Kela's customer surveys put it: 'It was exciting to find out what the maternity package included. I think it is worthwhile for every parent to experience this at least once in their life. An experience uniting generations, indeed!' (Valkama et al. 2020: 5). This quote communicates how the baby box is a success from the families' perspective, especially among first-time parents who receive the box as a practical 'starter kit' during one of their most meaningful life transitions. In addition to being a useful in-kind benefit, receiving the baby box often triggers positive emotions. Some writers have expressed that the baby box has achieved an 'institutional nature' (Valkama et al. 2020: 4; Särkelä 2013: 6).

The enduring popularity probably lies in the universal nature of the benefit. As the baby box is given to all expectant mothers, regardless of income, we agree that it has become a trusted institution: no matter who you are, you will receive the baby box when pregnant. Many generations before us have similarly received a baby box (see Valkama et al. 2020: 4). Therefore, it is a common, shared experience, which may contribute to building trust and coherence within society. Similarly to universally available maternal and child health clinics, monthly child benefit payments, primary education and free school lunches, the baby box has become a Finnish *social institution*, which some may also regard as 'tax-returns' legitimizing highly progressive taxation. As the baby box is available to all families regardless of their background or financial situation, it may also endorse the idea that all babies should have an equal start in life.

Despite the wide acceptance of the baby box as a social benefit, a new issue is rising: namely, critical scrutiny of the responsibility and sustainability of the products and the production processes. The baby box items are sourced through a public tendering process in accordance with EU law (Kela 2021b). Items are selected based on best value, considering the price, quality and responsible choices of materials, and each product must meet the safety requirements imposed by Finnish and EU law. Kela has started to emphasize the sustainability of the products in the maternity package and requires that certain minimum standards be met regarding the production and choice of materials. Lately, concerns have been expressed about the social responsibility and sustainability issues concerning the manufacturing of the products in the Finnish baby box. For example, Finnwatch, a civic organization monitoring corporate responsibility, recently raised questions on the conduct of the supplier subcontractors concerning their workers' wages, working hours and work safety. As a result, Kela included new social



responsibility criteria in their bidding procedure (Finnwatch 2019; Kela 2021c). According to a customer survey conducted in 2020, a majority of the parents also find it important that the items are produced ethically and ecologically. The survey showed that some parents are prepared to compromise on the number of products if this helps to improve the sustainability of the package (Valkama et al. 2020: 31–2).

### **A century-old brand design for public health and welfare**

The baby box is one of the most enduring institutions within the Finnish welfare state, and it has seen the changes of the welfare state itself. The baby box has maintained broad support among political leaders across the political spectrum and also stayed popular among families. Originally, the goal of the policy was to alleviate poor mothers' financial stress and material needs. It did alleviate the acute needs of the most poverty-ridden mothers and it was later broadened to include all mothers. This change indicates that when the law was initially passed and only covered a part of the population, it was not considered extensive enough. Therefore, it was changed to a universal benefit. In today's Finland, the material needs of most of the expecting families are less pressing than they were at the time the baby box was invented. Nevertheless, the baby box has endured as a universal benefit equally available to all families.

Understanding the historical context in which the baby box was invented and developed is important in evaluating the baby box's significance as one of the factors contributing to the successful enhancement of public health in Finland. One important mechanism contributing to better infant health was using the box as the baby's separate sleeping space in times when a variety of communicable diseases were common. However, as the baby box policy has evolved hand in hand with numerous other societal and medical developments, such as vaccinations, medications and healthcare services, its contribution to improving the well-being and decreasing morbidity and mortality among mothers and babies is indivisible from these other developments.

Nevertheless, this case study suggests that a simple conditional benefit may prove useful in directing citizens' behaviour in a preferred way, such as visiting health clinics for advice and timely vaccinations, comparable to the success of Brazil's Bolsa Familia conditional cash transfer programme (Paiva et al. 2019: 28, 32). At the time when the baby box became a universal benefit in Finland, the conditionality of this benefit was successfully utilized to increase mothers' attendance at health check-ups during pregnancy contributing to enhanced public health. In certain countries, where healthcare attendance is not a common practice for pregnant mothers yet, a baby box programme is currently being used as an instrument

to incentivize mothers to participate in antenatal care or to give birth at a health clinic or hospital (Koivu et al. 2020: 70).

In addition to its long-lasting success in Finland, the baby box has also succeeded in convincing political leaders and healthcare professionals in other countries. It is a true success story of policy emulation as it has been adapted in ways that regard the local needs and contexts of the intended beneficiaries. In most countries, however, this benefit is still taking baby steps in its first development stage, as it is most commonly implemented by NGOs (Koivu et al. 2020: 39)—just like it was first introduced in Finland by active volunteers who were committed and excited to learn from experiences and best practices in other countries. Thus, it is worth reminding ourselves that the concept of the governmental baby box in Finland was rooted in the ideas and practices of a charity organization, the Mannerheim League for Child Welfare, that provided baby boxes on a voluntary basis. In this sense, the baby box is proof, along with many other policies in the Nordic countries, that civil action can lead to a universal governmental policy.

Altogether, the baby box has been imbued with so much meaning and value that it remains an important symbol of Finland's commitment to enhancing welfare through family benefits and services. The endurance and wide acceptance of the baby box may be mostly related to its universalistic nature. Given the current context of internationalizing Finland with a growing number of immigrant families, the baby box communicates a state standard of baby care. It may also facilitate the integration process to a new culture and living environment through encouraging a sense of belonging and offering exemplars of suitable clothing to use during cold winter times. However, it would be important and interesting to study the meanings different families give to the baby box in today's Finland.

In the big picture, the baby box's success is also based on its processual clarity and simplicity as well as on the annual refinements of the baby box itself, attracting audiences' interest year after year. While the root concept has remained unchanged over its century-long history, the Finnish baby box has been able to incorporate timely amendments to its implementation, including the shift from a voluntary initiative to a governmental policy, the transition from a targeted benefit to a universal benefit and, most recently, the adjustment of its procurement process to enhance sustainability. In sum, the baby box's fundamental claim to success is grounded on its endurance, coherence and well-maintained acceptability in Finland as well as on the wide interest it has evoked around the globe.

## Questions for discussion

1. What kind of in-kind social security benefits are available in your country, if any? Who are the beneficiaries? Are the benefits universal or means-tested? What would be the reasoning for providing tangible help rather than cash?
2. What possible conflicts or unfair situations may result from providing conditional cash or in-kind benefits?
3. What possible advantages may result from providing social security benefits universally to everyone regardless of their income or wealth? Discuss this from the perspective of collective risk sharing in social policy.

## Links to online resources:

Family benefits provided by the Social Insurance Institution of Finland:  
<https://www.kela.fi/web/en/families/>.

This website provides an overview of the different social security benefits for families with children. Check out also the designs for the current maternity package (i.e. the Finnish baby box).

The baby box. Enhancing the wellbeing of babies and mothers around the world (2020) by Koivu et al:

<https://helda.helsinki.fi/handle/10138/319524/>.

This global mapping of the baby box programmes explores the influence of the baby box concept internationally, from refugee camps to prisons and from high-income countries to remote islands.

World Bank Open Data:

<https://data.worldbank.org/>.

This online database is useful in comparing indicators for public health and well-being, such as infant mortality rate, fertility rate, GDP per capita or Gini index.

World Health Organization, Health topics:

<https://www.who.int/health-topics/>.

A useful portal for facts, data, info graphs, recommendations and latest research on different topics related to this chapter, such as newborn and child health, maternal health and breastfeeding.

Statistics Finland:

[https://www.stat.fi/index\\_en.html/](https://www.stat.fi/index_en.html/).

Find statistical information from Finland on a variety of topics such as living conditions, population, social protection, health, etc. The website also provides publications, in which international statistics have been utilized.

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# Quality in Finnish Comprehensive Schools

## Entrenching Enhancement-Led Evaluation

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### Going against the Grain

The evaluative turn in the public sector that gained momentum from the 1990s has increased the density and scope of the examination of student performance in education policy (Kauko and Varjo 2008; Vedung 1997). The globally common solution has become to devise a national large-scale assessment for measuring student achievement. These assessments are not only for understanding learning performance, but are increasingly used for monitoring and steering purposes. Verger et al. (2018) note that the results of the tests often either directly influence resource allocation, or their open test data are used for rankings which facilitate school competition and markets. Given its popularity, it is perhaps surprising that test-based accountability does not actually result in better schooling. Verger and Parcerisa's (2017: 245) meta review notes that the positive results of test-based accountability in academic performance are usually 'rather weak or mixed'. They also find that the lowest-performing schools are usually unlikely to benefit from test-based accountability (Verger and Parcerisa 2017). Many studies from various countries have concluded that strong testing regimes do not benefit educational aims (e.g. Gurova et al. 2018; Hardy 2021; Koyama 2011; see also Looney 2011: 5, 10–11, 18 and Ravitch 2010). In this regard, the evaluative turn in education cannot be fully justified by the improving academic performance of students. The reasons for having such evaluations must be sought outside education.

Indeed, arguments that back the strong global push for more evaluation do not see evaluation as a means to achieve educational success but rather to support other policy sectors. Persuasive and widespread (Kauko et al. 2018a) arguments suggest that school performance is directly linked with economic prosperity (Hanushek and Woessman 2007). These are supported by the World Bank (Takala et al. 2018) and the OECD (Ydesen 2020), for instance, but they have been repeatedly debunked (Komatsu and Rappleye 2017). Many countries use results from education evaluation to achieve aims in other policy sectors, whether it be a stronger geopolitical position or dealing with governance decentralization (Kauko et al. 2018b), or furthering 'education export' (Schatz 2016) for economic gains.



In other words, the global mainstream in education evaluation is not aimed at developing learning but is a proxy for other aims. Against this tendency to load education policy with—for lack of a better word—‘external’ aims, one could argue that education policy should further learning and do this in its sense of *Bildung*, the wider meaning of education cultivation and culture (see Saari et al. 2017). Taking that latter perspective, we will demonstrate that Finland has been able both to develop and sustain an exceptional system of evaluation in education that has its starting point in educational aims and needs rather than secondary effects on other sectors.

The main feature of Finland’s success is that it has curbed the most adverse effects of test-based accountability by simply not implementing them. Finland supports sample-based testing instead of high-stake standardized testing for entire age cohorts. This going against the grain also entails the publication of only the main results of these evaluations, which makes it impossible to form ranking lists and compare schools based on their performance. Furthermore, Finland has no national schools inspectorate. Instead, its decentralized system relies strongly on local self-evaluations conducted by education providers, mainly the 309 municipalities, and more than 2,000 individual schools. Central government’s role in evaluation is limited to fostering and promoting the local evaluation culture. It has no direct means to control the quality of education at school level (Eurydice 2015). Therefore, the use of these evaluations is geared to the development of education rather than to monitor, control and steer towards secondary purposes. We will argue further on in this section that the Finnish evaluation system, planned to support local development rather than top-down government, can be assessed as a partial, resilient policy success, as described in the PPPE model (see Chapter 1, ‘Introduction: Studying Successful Public Policy in the Nordic Countries’ in this volume) and by McConnell (2010).

Various researchers have highlighted the success of the Finnish evaluation model with different degrees of vigour. Most argue for the *programmatic benefits* of a light-touch evaluation system. The earliest and most direct claims concerning this were made by Sahlberg (2007, 2011), who argues that the Finnish model is more economically efficient and societally fair than the global mainstream. This view receives modest support from international research on the mainstream model’s weaknesses in improving learning outcomes, as already discussed (Verger and Parcerisa 2017).

In relation to the *process success*, the steps in the pathway and the principles of the evaluation scheme have not been publicly discussed. The design process was technocratic: the Finnish model was devised entirely within the education administration (Simola et al. 2009, 2013; Syrjänen 2013). The Nordic tradition of public transparency and collaborative governance does not fit well with this (Wallenius 2020). Hence, the score for process success is mixed: there was thorough analysis and deliberation, but in a closed arena.

*Political success* is the most apparent, where the quality policy, as uncentralized or even uncoordinated as it is, remains economical and teacher-friendly, bringing political kudos to those attached to it (Kalalahti and Varjo 2020). The main actor, the Finnish Education Evaluation Centre (FINEEC), receives virtually no public criticism—an indication of its good reputation—and signals a strong position as a coordinating and supporting actor in the spirit of what it calls ‘enhancement-led’ evaluation (FINEEC 2020).

The perspective of *endurance*—maintenance of success over time—is highly relevant to assessing and understanding the evaluation of education in Finland. The current system, developed in a specific historical context, has been subject to a considerable path dependency even when addressing the trends of international accountability-based testing policies (Kauko et al. 2020). In this first systematic scrutiny with the help of the PPPE framework, nuances and tensions emerge in addition to these claims of success.

On balance, we assess the system of the evaluation of Finnish comprehensive schools (a nine-year school of primary and lower secondary education, usually ages 7–16) as a partial policy success. The case shares some aspects with other Nordic countries but differs in some (Wallenius 2020). The similarity can be seen in the types of reform adopted following international trends, such as deregulation, decentralization, and the need to monitor and enhance quality. Where Finland differs from its Nordic peers is in the governance tradition and socio-historical peculiarities that are to some extent linked to its proximity to Russia and the lateness of its compulsory education, urbanization, industrialization and internationalization (see Dovemark et al. 2018; Simola et al. 2017).

We describe how the historical programmatic formation took place, and, once subjected to increasing global connections, how it found itself in crisis during the last decades of the twentieth century. The result was that relations between policy actors were recalibrated and then locked in as part of the decentralization of the 1990s. We then focus on how the formation of the quality evaluation policy took place; and how it was coordinated. The fairly recent institutionalization of the dispersed evaluation actors under one roof has consolidated continuities, but the rise of this unified player, FINEEC, and mounting external pressures have the potential to question the long-term design. We will analyse this as we discuss the system’s programmatic and political success and try to understand the robustness of support for the model.

### Enduring Historical Threads

The programmatic formation of the evaluation of Finnish schools must be reflected in its long historical context. Our argument in relation to the programmatic success is that the need to formulate a full-scale programme took place only

in the late twentieth century. Before its articulation its formulation had happened in the long historical build-up of governance. These roots of governance came from the Nordic traditions to which Finland was organically attached when part of the Kingdom of Sweden and from the Russian governance regime when Finland was an autonomous Russian Grand Duchy (1809–1917). These eras also mark the first shift in education governance from church to state. Education governance was harnessed during the early days of independence (since 1917) to build a national narrative, and then during the post-war period to help expand education for the baby boomer generations (Lampinen 1998). The main institutional changes were the shift from folk and grammar schools, institutionalized in the 1860s, to a unified comprehensive school in the 1970s. Throughout these governance and institutional changes, according to Kauko et al. (2020; see also Jakku-Sihvonen 2001; Varjo et al. 2016), the programmatic base of the current Finnish evaluation system has sustained the essence of three historical practices: the *inspection of folk education*; the *local supervision (and surveillance) of folk schools by school boards*; and later the *participation in comparative learning studies*. All were readjusted during the economic crisis of the 1990s, which was when the concept of quality started to take root in Finland, and the consequent radical deregulation and decentralization of education governance. However, although inspection was abolished and the local governments' role changed, the essence of these practices was preserved in the new evaluation system. The emphasis on the local level and eased surveillance resulted in a considerable variation in how education providers evaluated the quality of education.

The *inspection of folk education* is the oldest thread in the current fabric of Finnish education evaluation. Although the inspectorate was abolished in the early 1990s, its basic function—the external evaluation of education providers—has remained part of the current set-up. Confirmation classes and parish catechetical meetings were the first institutionalized forms of folk education, spreading reading skills and Christian doctrine among the peasantry (Kähkönen 1982). The 1571 Church Order explicitly obliged priests to inspect the folk schools within their jurisdiction (Hanska and Lahtinen 2010). This ecclesiastical practice from Swedish rule was interrupted by the Russian state in 1841, when the tsar decreed that cathedral chapters must prepare a report on the condition of the folk schools in their jurisdiction for the Finnish Senate. Vuorela (1980) maintains that this was the first time such reports equipped the central administration continually to evaluate and control folk schools. When religious and secular authority were separated in the 1860s, the evaluation of folk education became the duty of the latter. This also meant the founding of the National Board of General Education in 1869. School inspections were set as one of its main tasks from the beginning.

This reassignment of inspections took place without any major public debate in the estate-based society of the time. Implementation was the responsibility of the Reverend Uno Cygnaeus, who was the first 'chief inspector of all folk

schools' (Harju 1988). The chief inspector was assisted by a body of inspectors who were charged to 'look after teaching, order, and discipline' (Law 1866) at the folk schools within their districts and report to the National Board of General Education. A century later, the political push from the parties on the left and centre disbanded the folk (elementary) and grammar schools (see Kauko 2019). The resulting implementation of the comprehensive school reform (1972–1977) steered the administrative position of the inspectorate in a formative direction, but regional inspectorate intervention still happened 'if required' (Decree 725/1984 in Varjo et al. 2016). In general, school inspections suited the bureaucratic, norm-driven, and top-down governance that conformed with the planning optimism of the 1960s and 1970s, when it was generally accepted that the comprehensive system should be implemented through strong top-down government (Kauko et al. 2020; Simola et al. 2017; Varjo 2007).

Yet the comprehensive school brought with it newly progressive pedagogical thinking, and the duties of inspectors were redefined as 'guidance', 'supervision' and 'data collection' at the beginning of the 1980s. These were the first steps towards decentralized governance and the school-based development of education (Pitkänen 2019). The final push came from outside the education system. At the beginning of the 1990s the policies of decentralization and deregulation found an ideological sounding board in the centre-right governments of the time, and the broad governance reforms resulted in the abolition of the school inspection system (Law 182/1991; Rinne et al. 2011). Instead, education providers and their schools were now obliged to participate in external evaluations by order (Law 628/1998; Opetushallitus 1994).

Another thread of *local evaluation* was developed simultaneously with folk education as part of changes in the municipal administration. The Folk School Act came into effect in 1866 (see Law 1866) after the judicial separation of municipalities from the parishes in 1865. Typically, towns had a municipal board for all folk schools, and sparsely populated rural municipalities had a single board for each school. The school board's main task was to supervise the provision of folk education at close hand, 'by means of inspection, regularly visiting schools, attending examinations and comprehensively monitoring school keeping' (Law 1866).

The school board's main task—to supervise the provision of folk education at close hand—is an original element of *endogenous* control in the current fabric of Finnish quality evaluation. A century later the comprehensive school reform largely sustained the position of school boards. The Comprehensive School Act (see Law 476/1983) created a board for each comprehensive school and assigned numerous duties to it based on guidance, supervision, and development. In addition to the traditional tasks of school boards, the supervision of student welfare (e.g. nursing, school meals and transport) was now included in school boards' duties (Kauko et al. 2020). The most radical change took place in the decentralization reforms of the 1990s, when school boards were decreed to be non-obligatory

representative bodies (Law 707/1992; Law 365/1995). School boards are currently required of only private and state education providers, which in their pupil volume constitute a small minority alongside the main bulk of municipal education providers. The change again emphasizes the policies of decentralization and deregulation of the 1990s, which were supported by the centre-right PMs Harri Holkeri (1987–1991) and Esko Aho (1991–1995). In practice, the evaluative function of school boards was replaced by the local self-evaluation of education providers (Law 628/1998). Local evaluation thus wove a thread into the fabric of Finnish evaluation programmes by emphasizing the responsibility of the local education provider to keep track of its education quality.

The third thread started its weaving after the 1950s, when Finland's continuous *participation in comparative learning studies* created the national capacities for evaluation. They laid the foundation for a national evaluation system of learning outcomes (Kangasniemi 2004) and participation in the international development of education indicators (Leimu 2004). After World War II policy-relevant studies in comparative education started to evolve towards a more systematic and rigorous methodological approach: data were collected domestically from each nation, but within a common international research design with the same methods and measurements. According to Alasuutari (1996: 108) between the Second World War and Finland's accession to the European Union in 1995 it was a planning economy, convinced that 'social problems could be solved best by "scientific" planning and organizing. Solutions to problems concerning the national economy or the functionality of state administration were found solely through better planning'. Participation in comparative learning studies since the 1950s was also tightly connected with the period's idea of the planning economy. The International Association for the Evaluation of Educational Achievement (IEA) was built around problematizations associated with the evaluation of school effectiveness and student learning. According to Husén (1967; see also Kauko et al. 2020), the founders of the IEA viewed the world as a natural education laboratory in which different school systems experimented in various ways to obtain optimal results in educating their young people. They assumed that if comparative education research could obtain evidence from a wide range of systems, the variability would be sufficient to reveal important results. Laukkanen (1998) demonstrates that participation in international cooperation enhanced national expertise and capacity-building in the evaluation of education.

The OECD launched its indicators of the 'Performance of Educational Systems Project' in 1970 (see Kauko et al. 2020). The framework comprised 46 indicators, constructed by combining the statistics of student ratios and flows, education resources, and costs with background variables (OECD 1973), for example. In response, the Finnish Ministry of Education funded a 'Project on education indicators' at the University of Jyväskylä to study the opportunities to construct a system of education indicators to assist quantitative education planning, which ran

from 1972–1974 (Olkinuora and Perkki 1974). By the mid-1970s however, indicators had been omitted from the national education policy agenda, because there was no technical capacity, and political interest in the OECD approach had faded. Capacity-building with these national evaluation trials meant that once political interest re-emerged, and the societal and technological conditions allowed it, a new era of indicator-based evaluation could start from the 1990s (Kauko and Varjo 2008).

Tying these historical threads together helps us see how the programme of Finnish education evaluation builds on the division of governance between the central and local authorities. Green et al. (1999) show that Nordic nation states during the nineteenth century commonly delegated control to their subordinate bodies, the municipalities. The municipal provision of folk education and local supervision of schools by school boards are manifestations of contemporary ‘central–local relations of governance’ (Ozga et al. 2011). In turn, the comprehensive school reform of the 1970s, propelled by coalition governments of the Social Democrats and the Agrarian League, marked the peak of centralized governmental education steering. The old control mechanisms—both the inspection of folk education and the local supervision of folk schools by school boards—were effortlessly transposed to a different societal situation than that in which they had originally emerged.

Green et al. (1999) also note that the tradition of ‘Nordic localism’ experienced a revival during the 1980s. The heavily centralized planning and steering system in education, which had been under construction for decades and had reached its peak during the comprehensive school reform (1972–1977) was dismantled in 1988 by a right-left Holkeri government as part of a sweeping ambition to reform the entire state services sector. The new administrative ethos, implemented by a new generation of civil-service leaders (including the formidable director-general of the National Board of Education, Vilho Hirvi) emphasized deregulation and management by results (Simola et al. 2017). The intention, articulated by the Ministry of Education, was now to increase the quality of education by ‘increasing flexibility and choice’ and introducing new evaluation mechanisms (Opetusministeriö 1991). While it had previously been believed that educational goals could be achieved via strict norm steering and careful implementation, national policymakers now moved towards setting national core targets, allowing actors in the decentralized system to pursue these goals as they saw fit, and evaluating the end results *ex post*. This shift entailed also a second reorganization of central–local governance relations (Ozga et al. 2011). The subsequent re-emergence of Nordic localism and decentralization created a situation in which central governance lost its grip on education providers (Eurydice 2004). In this situation it became necessary to begin to both conceptualize and reconceptualize what a suitable evaluation programme for Finnish comprehensive schools could look like.

## Overcoming Political Fault Lines

As noted, in the early 1990s the evaluation programme was reformulated, but with familiar features from the past. This work laid down the fundamentals of Finnish education evaluation, which [Simola et al. \(2009, 2013\)](#) have recognized as a strategy of public ‘non-articulation’ of policy principles, according to which there should be no public data, no rankings and only sample-based tests providing data for development purposes. Interviews of the sample-based evaluation model’s main architects indicate that economic and pragmatic considerations also played into it: sample-based evaluation was cost-effective and provided enough information for national policymakers’ purposes. They also shared a belief that high-quality teacher training would drive continuous improvement within schools and superimposing annual rankings exercises would only create and exacerbate inequalities ([Syrjänen 2013](#): 86–90). In sum, many parts of the programme drew on a combination of the historical pathways described in the previous section and the need to make a virtue of the necessity to face the new situation of decentralized and deregulated governance (see [Kauko et al. 2020](#)).

In the deregulated and decentralized environment of the 1990s many actors undertook their own, only partially overlapping initiatives in the emerging field of quality evaluation. This directly affected political relations. Decentralization reinforced the gap between national and local governments’ preferences, while deregulation ensured that the central government had fewer tools to hand for influencing the municipalities. The National Board of General Education and the National Board of Vocational Education were replaced by the National Board of Education (NBE) in 1991, and this new agency was set up more to advise and foster policy-relevant knowledge than as a top-down regulator ([Government Bill 225/1990](#)). At the same time the various municipal collaboration organizations were organizing, forming the Association of Finnish Local and Regional Authorities (AFLRA) in 1993 ([Government Bill 347/1992](#)).

The new organizational set-up represents only one current in the larger stream of change but it certainly contributed to the formation of what could be called a current evaluation programme. Preparations for it had already started in the early 1980s, when the Ministry of Education tasked the National Board of General Education with sketching a model to evaluate the effectiveness and outcomes of comprehensive and upper secondary education. This was motivated by the legislative change in education and related development plans ([Kouluhallitus 1982](#); [Opetusministeriö 1983](#)), while more responsibility for school development was directed to the local level. The working group set up for this task drafted its suggestion for a national system to evaluate the outcomes and performance of education in the mid-1980s ([Kouluhallitus 1986a, 1986b](#); [Lyytinen et al. 1989](#); see also [Lahelma 1984](#)). In addition to national data gathering (e.g. from pre-existing registers, databases and studies) for the purpose of external evaluation,

the working group introduced the idea of local and school self-evaluation. In the spirit of emerging decentralization and regulation policies, the group suggested that in addition to ongoing research on and evaluation of educational outcomes, the performance of education institutions should increasingly be evaluated at local level, and especially by the schools themselves (Kouluhallitus 1986b; Lyytinen et al. 1989). This was where education took place. Although this model (Kouluhallitus 1986a, 1986b) was never adopted, it was the first to raise the issue of education performance to the level of a policy programme.

The process of developing the national evaluation model was continued by a Ministry of Education working group (Opetusministeriö 1990), but with little effect (Laukkanen 1998). The task was then reassigned to the newly established National Board of Education. The model's development became a timely issue, as the Ministry of Education also highlighted the need for quality evaluation in its newly established strategic steering document for education (Opetusministeriö 1991). As a result, under the leadership of long-term Finnish school developer Ritva Jakku-Sihvonen, *The Framework for Evaluating Educational Outcomes* (Opetushallitus 1995, 1998) emerged in the deliberations of a working group consisting of officials of the National Board of Education and university experts. Its development was helped by several educational institutions experimenting with practical use of the framework in municipalities and schools.

Corresponding to the New Public Management doctrine of the era, the framework held that economy, efficiency and effectiveness ought to be the main evaluation criteria not only at national level, but also in regional, municipal and school-level evaluations. The model also introduced the structure of the evaluation system, consisting of complementary and reciprocal elements of international, national external and local internal evaluations, which closely followed the historical threads described in the previous section. This division of stages, complementary elements and national responsibilities has continued until today (Karvi 2020). Although the model was given central and programmatic status, it was officially only a recommendation (Simola et al. 2009). However, its programmatic centrality remains visible in that the model's basic ideas, for example the idea of the three Es, is still present in current Finnish evaluation policy documents and programmes (e.g. Opetus- ja kulttuuriministeriö 2012).

In another process in the early 1990s the new National Board of Education (Opetushallitus 1994) coordinated and drafted the new curriculum, which called for school self-evaluation, introducing it as an integral part of continuous school and curriculum development (Pitkänen 2019). The curriculum claimed that school self-evaluation should be comprehensive and systematic. Self-evaluation should focus piece by piece on the school's diverse areas, aspects and operations so that it would finally encompass all areas of schooling and the curriculum. The task of the municipality, the education provider, was to support and frame the school's self-evaluation. (Opetushallitus 1994.)



The increased importance of the local level brought with it the risk of great disparities of approaches, and the vulnerabilities of small jurisdictions lacking the capacity to deliver created a need for the central government to build evaluation skills. Non-binding national recommendations or guidelines for fostering local evaluation were published by the different sides: the national education authorities ([Opetushallitus 1995, 1998, Opetusministeriö 2010; Opetus- ja kulttuuriministeriö 2012](#)) and the Association of Finnish Local and Regional Authorities, representing the Finnish municipalities (Suomen [Kuntaliitto 2003a, 2003b, 2006a, 2006b](#)). As decentralization had obliterated most legal requirements for evaluation, there was a strong push for a quality evaluation culture in schools and municipalities promoted by projects, courses and the vast evaluation literature ([Pitkänen 2019](#)). It was ultimately up to the municipalities to decide what to choose and what to leave out from the broad array of suggestions.

This extensive local freedom was partly curbed in the Basic Education Act (see [Law 628/1998](#)), in which the principle of local evaluation received legal status rather than the status of a recommendation. The [Government Bill \(86/1997\)](#) leading to this act was issued by the PM Social Democrat Paavo Lipponen's first left-right government led by the (1995–1999). The quality policy section of this law was politically uncontroversial ([Kalalahti and Varjo 2020](#)). It drew on four years of preparation at the Ministry of Education that had explicated the need to clarify and conceptually define the terms, (national) external and (local) self-evaluation. According to the law each education provider should self-evaluate the education they organized and participate in external evaluations ([Law 628/1998](#)). The schools should also conduct self-evaluations as part of the local evaluation of education ([Opetus- ja kulttuuriministeriö 2012: 36](#)).

More recently, to support education providers and schools in their obligation of self-evaluation in line with Matti Vanhanen's second centre-right government (2007–2010) programme, the Ministry of Education drafted a new recommendation, Quality Criterion for Basic Education ([Opetusministeriö 2009, 2010; Opetus- ja kulttuuriministeriö 2012](#)). This was done in cooperation with other experts, authorities and stakeholders, for example the NBE, Finnish Education Evaluation Council, the Association of Finnish Local and Regional Authorities, Finnish universities, regional and municipal authorities, and school personnel. Nevertheless, the implementation of the Quality Criterion recommendation in schools and municipalities has been voluntary. The main principle has been that each education provider has strong autonomy in determining the objects, targets and methods of their self-evaluation ([Kauko et al. 2020](#)). In 2016, 41 per cent of education providers used the Quality Criterion as their principal tool of self-evaluation ([Harjunen et al. 2017](#)).

Binding these developments, the self-evaluation conducted at the local level since the 1990s, both in municipalities and schools, has been argued to constitute the foundation of the Finnish quality evaluation and evaluation system of

education, which the other levels of evaluation system support (Pitkänen 2019: 121). The complementary and supportive role of the national and local evaluation, along with the idea of enhancement-led evaluation, has become deeply embedded in the Finnish quality evaluation discourse. It can be traced in subsequent legislation (e.g. [Government Decree 1317/2013](#) on the Finnish Education Evaluation Centre), as well as in the quality criterion for basic education ([Opetus- ja kulttuuriministeriö 2012](#)) and the National Core Curriculum ([Opetushallitus 2014](#)). The latter states:

The purpose of both the internal and external evaluation is to support educational development and to improve conditions for learning. The monitoring, regular evaluation and development of the local curriculum and annual plans are part of this duty... . In their self-evaluations, the education provider and schools can draw on the results of national evaluations and development projects and the national quality criteria for basic education. Cooperation with pupils, guardians and other actors promotes transparent and constructive self-evaluation.

([Opetushallitus 2014](#))

However, there is another side to this story. Despite the emphasis on local evaluations, since the implementation of the Basic Education Act ([Law, 628/1998](#)) there has been continuing concern that education providers and schools have not met the expectations regarding self-evaluation (see e.g. [Löfström et al. 2005](#); [Sivistysvaliokunnan mietintö 11/2002, 9/2009](#)). According to an evaluation report only around 25 per cent of education providers had used the National Board of Education model in their self-evaluations in 1998. The Balanced Scorecard was second with 20 per cent, while EFQM (European Foundation for Quality Management) and other quality models were much less popular. However, the vast majority, around 70 per cent, reported that they used a combination or their 'own' model, which leaves open the question of how systematic and robust those local evaluations are ([Rajanen 2000: 18](#)).

Furthermore, the State Auditor's Office noted that the local level was largely happy with the 'information steering' at the national level, yet it recommended that such steering should be used only as a complement to other forms (laws, decrees and resources), and that securing rights such as basic education should rely on stronger steering forms ([Valtiontalouden tarkastusvirasto 2009](#)). According to a recent evaluation report on the state of local evaluation ([Harjunen et al. 2017](#)), the evaluation culture had not been bedded down sufficiently more than 15 years after the Basic Education Act came into force in 1999. In many cases there appears to be a lack of a functioning self-evaluation system or a systematic assessment culture. Examples of the opposite are few. According to these evaluations of evaluation, no education provider has achieved a level of excellence in their self-evaluation

system. Most providers (60%) report being at the initial level of implementation (Harjunen et al. 2017: 42).

Alternative views advocating a more stringent and top-down evaluation system have been scarce because of the political commitment to the existing programme. Test-based accountability has not been seriously debated in Finland since the 1990s (Simola et al. 2009), but the lack of standardized tests in the Finnish model has recently raised some scholarly eyebrows. Unevenness in grading due to the model's non-standardized nature and teacher-based grading—instead of mandatory national testing—has led some evaluation researchers to argue that the resulting variety in grades at the completion of comprehensive school threatens equal access to further education, especially in the capital region (Hotulainen et al. 2016: 50–51). This may be used to support moves towards standardized tests. In general, the concerns have not gained political leverage, possibly because of the very strict tradition of non-politicization concerning this matter (Wallenius 2020). However, in response to this challenge, the National Agency for Education (formerly the National Board of Education) recently provided clearer guidelines for evaluating students at this stage, starting from 1 August 2021 (Opetushallitus 2021).

In sum, through the institutional changes and decentralization policies since the early 1990s the concepts of quality and quality evaluation have entered and been consolidated in the Finnish evaluation discourse and practices of education governance in the field of comprehensive education. At the same time, it has become obvious that the quality of education should not only be evaluated at the national level but where the provision of education takes place—in municipalities and schools. The data acquired at both levels should interact in producing an overall picture of the quality and performance of comprehensive education (Pitkänen 2019). In this set-up, the National Board of Education has aimed to develop education through national external evaluations, and the municipalities' association has represented the education providers responsible for the local development and evaluations. Whereas the former has focused on evaluation especially from the perspective of education and learning, the latter has focused on education as a municipal basic service as part of other municipal services and local policies. This has led to some conflict between these coalitions concerning whether education constitutes a distinct sphere separate from societal services, or whether it is also evaluable according to the same principles and methods as other public services.

This dispute has become less visible in recent years, possibly due to the foundation of FINEEC and the official formation of the national evaluation programme, and the legal recognition of education providers as autonomous local evaluation actors (see Pitkänen 2019; Simola et al. 2009). This understanding of the production of complementary evaluation data at local and national levels was accompanied by what was framed and later named as a *programme of enhancement-led evaluation*. This principle fitted the decentralized landscape well,

because it suggested evaluation data should be used for development rather than control and accountability (Kauko et al. 2020; Pitkänen 2019; Simola et al. 2009). However, a built-in feature after the 1990s was an uncoordinated division of labour between the national and local, which leads us to the conclusion that success in the programme's coalition forming may be contested, while other aspects of the process could be seen as successful, especially the preservation of original ideas, legitimacy, symbolic value, and eventually a lack of opposition (McConnell 2010: 352). We will continue the analysis of coalitions in the next section, which will focus on the institutionalization of this programme through changes in actor relations.

### **Institutionalization: Towards a Stronger Quality Policy?**

The formulation of the quality programme created a latent conflict between advocates of the national and the local levels, and the resulting evaluation model was a compromise between these two parties. Likewise, there were divisions among the national evaluation actors, who were dispersed and doing partly overlapping work.

The problematic role of the National Board of Education as the evaluator and executive central government body emerged at the debate on the Basic Education Act in 1998 (Temmes et al. 2002; Varjo et al. 2016). The doubts were reinforced when parliament required the Ministry of Education to evaluate the evaluation function after the new law came to force. The Ministry report concluded that an independent evaluation organ should be formed. The Standing Committee for Education supported the formation of a new organization alongside but independent of the National Board of Education (Sivistysvaliokunnan lausunto 5/2001vp). The Finnish Education Evaluation Council (FEEC) was founded in 2003. However, the field remained dispersed, and the idea of a large merger was taken forward by the ministry and then implemented by the left-right government of Jyrki Katainen (2011–2014), as we describe in Kauko et al. (2020: 9):

‘The Finnish Education Evaluation Council (FEEC) started in 2003 in conjunction with the Ministry of Education. This meant there were now three organizations to conduct the external evaluation of comprehensive schools: the FEEC was responsible for institutional and general evaluations, the National Board of Education for sample-based learning outcomes testing, and provincial governments conducted theme-based evaluations or indicator reports for municipal education. In addition, a Finnish Higher Education Evaluation Council (FINHEEC) was formed in 1996. The FEEC was tasked to draft an evaluation plan and provide information for education policy and setting new goals (Opetusministeriö 2004). The role and work of the FEEC as part of the evaluation landscape was supported and problematized in subsequent years. A working group of the Ministry of Education (Opetusministeriö 2007) recommended that the FEEC and FINHEEC

should continue as they were, and a rapporteur suggested they should be combined as a national evaluation agency (Lankinen 2007). Both reports suggested that the evaluation of learning outcomes should be the responsibility of the National Board of Education. The rapporteur also saw the evaluation conducted by the provincial governments as problematic, because the provincial governments were also responsible for legality control (Lankinen 2007). The idea of a single evaluation council hosting all the evaluation functions was adopted in the next government programme (Government 2011), and the Finnish Education Evaluation Centre (FINEEC) was inaugurated in 2014' (Kauko et al. 2020: 9).

In other words, the National Board of Education lost its jurisdiction in evaluating learning outcomes (Jakku-Sihvonen 2014). Now all evaluation activities were concentrated in a single organ. The long-term problem had been how evaluation would be credible if it were conducted by the same organs that governed education (e.g. Opetus- ja kulttuuriministeriö 2012).

FINEEC brought greater rigour and trustworthiness to external evaluation, employing a model that had previously been used in the higher education sector (for FINHEEC). Its founding was the culmination of a development that had started in the 1990s as the post-deregulation reorganization of evaluation functions—while the basic principles for evaluation design remained the same—to assist in the development of local quality processes and provide external evaluation data, not to use data to control the education providers (Kauko et al. 2020).

FINEEC's programme relies on the long-evolved and sustained principles of enhancement-led education: the promotion of 'participation and interaction'; tailoring of evaluation according to the evaluand; and the provision of 'current state analysis, conclusions and recommendations that can be used both by actors at the national, regional and local level and by education and training providers, higher education institutions and stakeholders' (FINEEC 2020: 5). These principles follow the same aims that were drafted in the National Board of Education models during the 1990s. They also imply that the use of evaluation is not to control but to develop, and that the use of data takes place among professionals. The previously implicit goals (Simola et al. 2009, 2013) of not compiling ranking lists and publicizing performance data except for development purposes were given a firm footing (FINEEC 2020: 7): 'By trust we mean that the evaluation participant can talk openly about successes, development needs and shortcomings without having to fear sanctions. We collect and use evaluation data for the benefit of those who are evaluated. FINEEC does not compile any ranking lists'. These goals had endured.

The local–national cleavage still exists, but the allure of the national camp has been strengthened by the establishment of the Finnish Education Evaluation Centre. During 2003 and 2013 national steering became more uniform and more influential. Indeed, evaluation during the FINEEC era has become more

prominent now that all evaluative functions are under one roof. FINEEC drafts an evaluation plan every five years that combines all levels of education. It has also suggested increasing the role of evaluation with the aid of a quality assessment strategy (Väätäinen 2019: 26).

Recently, the centre-left PM Sanna Marin government (2020–) has issued an education policy report that aims to set the direction for education for the next two decades. In the report before parliament the direction appears to differ from the long-term evaluation track. The reasons for this change seem to be related to an understanding that demographic challenges to equal education provision can be solved with the aid of technology and data, a solution that could tip the governance scale in favour of the national level (Valtioneuvosto 2021). The report suggests that ‘clear and binding quality goals and indicators to follow their implementation’ should be established for the organization of early childhood education, pre-primary education and the comprehensive school (Valtioneuvosto 2021: 22). If this were implemented nationally, it would mean a substantial turnaround in the Finnish quality evaluation policy, which has previously aimed to develop rather than control the nature of evaluation, and has operated on the basis of trust in municipalities and school professionals.

### **Conclusion: From Tacit Knowledge to Institutionalized Assessment**

Historical path dependencies formed some of the basic conditions under which the evaluation of quality in Finnish schools was established. In this chapter, we have sought to analyse the more or less articulated goals and the purposeful and coincidental actions that shaped the pursuit of these goals. Parts of the policy process could not be reconstructed because much of the work occurred behind closed doors. Paradoxically, though undermining the ‘democratic’ component of process quality, the disciplined attention given to the challenge of building a more meaningful evaluation system befitting Finnish conditions was also a key part of both the programmatic and the political success of the evaluation model that was created.

The designers of the National Board of Education model have reported how the design process was carefully fitted to balance the values of equality and cost-effectiveness. The internal debate on the matter became enervated through the misalignment of local and national roles and interests, as represented by the National Board of Education and the Association for Regional and Municipal Authorities. And yet, because both parties shared the same values and vision, they could eventually come to an agreement.

Thirty years on, the delivery of the quality model remains unfinished business. Many municipalities still effectively lack a proper quality system in education. Even with this feature, the education system has remained steadfast in its

commitment to not competing for students with the aid of indicators, and to the principle that the same school services should be provided to every pupil as much as possible.

Finland has been able to develop and sustain a quality evaluation model for schools that is distinctive from most other education systems in the world. This ability to buffer an equality-based system against more competitive models from international examples has previously been recognized (Simola et al. 2017). The idea of enhancement-led evaluation is the cornerstone of FINEEC (2020). While the National Board of Education evaluation model failed to flourish in most municipalities, its main aims are institutionalized in the basic philosophy of the national evaluator, FINEEC. The original aims of equality are supported by the features of what was long an unarticulated though now stated programme of no rankings or standardized tests for the whole age cohort.

The paradox thus emerges: it was precisely the combination of the political silence (Wallenius 2020) and professional monopolization of evaluation that has given birth to the formation of a distinctive model. The leeway it provided to experts to do their work without a political steer has certainly contributed to the model's coherence. In other words, as more politically sensitised policymakers tend to be enthused by being seen to be embracing international trends, in this instance the lack of appetite for policy importation due to the preponderance of local professional experts in the policy process may have opened a space for the formulation of a distinctive, 'Finnish' model.

The Finnish evaluation model has resulted in a political success scenario with many winners and strong reputational benefits. At the national level it is noticeable how little public discussion about this approach to evaluation there has been. The strong continuity between governments of practically all the main coalition combinations since the 1990s is no less noteworthy. At the local level Finland lacks the usual complaints of teachers overwhelmed by the testing and inspection regime (see, for example, Gurova et al. 2018). Nor have the municipalities attempted to politicize the issue.

Only the latest developments, with FINEEC's growing importance and the Marin government's new report opening possible avenues for more stringent evaluation, may indicate a future ripple. There are also worrying trends in relation to school segregation through parental choice (Kosunen 2016; Seppänen 2006; Seppänen et al. 2015) and increasing social and spatial inequalities (Bernelius and Huilla 2021; Bernelius et al. 2021; Huilla 2022), which usually do not benefit from more evaluation. Until now the base level of the Finnish system in international comparison has provided equal results, and the lack of ranking has restrained segregation.

The programme of enhancement-led evaluation has remained the same for three decades. The basic idea of local and national evaluation has remained the same for more than a century, but was always reshaped according to the reform

needs of different times. In sum, we argue that the programme and political elements of the Finnish comprehensive school's quality evaluation have been a success that has also shown temporal durability. However, the success is only partial, given the processual shortcomings generally linked to the lack of transparency and discussion. These questions have been better articulated with the centralization of evaluation functions in FINEEC, which now wields a lot of power in evaluation. A more unified form of evaluation may lead to more centralized and sudden changes, possibly risking the temporal endurance. FINEEC has a professional monopoly position from which to argue for potential changes in evaluation, which makes change easier. In addition, as the latest government report shows (Valtioneuvosto 2021), global trends of data-based government are gaining ground in Finnish education. What we know from previous studies of evaluation is that it creates more evaluation (Kauko et al. 2018b). It remains to be seen if FINEEC and future governments will maintain the long-standing tradition or go with the international flow. Their hands are relatively free, for the general public has not been accustomed to the discussion of evaluation.

### Questions for discussion

1. What changed in the 1990s in Finnish education evaluation?
2. How intentional were the effects of deregulation in Finland?
3. Which were the main organizational players in sustaining continuity?
4. What similarities and differences are there between Finnish and global mainstream education evaluation?

### Links to online resources

SAWA Atlas, 'information about the international adoption of large scale assessments, the main features and uses of these policy instruments, and the accountability measures attached to them':

<http://reformedproject.eu/sawa-atlas/>.

The Finnish Education Evaluation Centre:

<https://karvi.fi/en/>.

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## The Finnish Model of Conscription

### A Successful Policy to Organize National Defence

*Jarkko Kosonen and Juha Mälkki*

#### The Enduring Bedrock of Finland's Defence System

This chapter analyses the policy success of the Finnish conscription programme, drawing on the process, programme, political and endurance assessment perspectives of the PPPE model (see Chapter 1, 'Introduction: Studying Successful Public Policy in the Nordic Countries' in this volume). We argue the essence of policy success in this case lies in the resilience, adaptability and thereby the endurance of conscription as a paradigm underpinning Finland's national defence system.

The question of how to organize the military establishment and national defence has been a high priority in Finland since the independency of the state in 1917. This priority is primarily due to the geostrategic position of Finland close to strategically important areas of the Russian Federation and its predecessors. Actually, until 2022, Finland has been the only non-NATO European Union state bordering Russia. At the turn of the 2010s and 2020s, it was analysed that Finland's security environment was changing for the worse and was likely to remain precarious for the foreseeable future (Dalsjö et al. 2021: 115; Finnish Government 2020; Szymański 2018).

Finland had chosen to be a neutral and non-aligned state and was also willing to keep its non-alignment policy in the near future in 2020s. Therefore, there have been needs for Finland to be ready to defend its territory against any aggression with its own capabilities. The military establishment is needed to create a credible and pre-emptive threshold against any violent action against the country. If Finland failed in creating such a pre-emptive threshold, this would be likely to endanger the strategic stability of Scandinavia. Russia's military invasion against Ukraine on 24 February 2022 caused a fundamental change in Finland's security environment. It has required immediate actions to strengthen Finland's defence capabilities. These actions have been e.g. applying for NATO membership and significant additional funding for Finland's defence budget.

The Finnish Constitution states that every Finnish citizen is obligated to participate in national defence. That obligation is regulated further by the Conscription Act, the Civil Service Act and the Act on Voluntary Military Service for Women.



Every male Finnish citizen aged 18–60 is liable for conscription and conscript service. Since 1995, there has been an option for women to apply for military service on a voluntary basis. Depending on the training, contemporary conscript service lasts 165, 255, or 347 days. Sweden and Norway have a gender-neutral conscription system in which the conscripts performing conscript service are selected from the whole age cohort of young men and women. Compared to Finland, only a minority of the whole age cohort is finally drafted into military service. In Sweden about 4 per cent and Norway 17 per cent of an age cohort were trained and completed military service in 2020. Finland has kept its model of conscription although almost all other European countries ended it after the Cold War in the 1990s.

Finland does not currently have any alternative strategies on how to produce and create the military capabilities and manpower that would be needed if general conscription was shut down. A conscription system is the only viable and affordable alternative to maintain a credible deterrent force as well for a non-aligned country as NATO member in the future. The need for manpower caused by the large territory and long land border of Finland does not support a selective draft system in this thinly populated country. Moreover, voluntary professional forces would be very expensive to organize. In addition, the contemporary security environment and the conventional warfare perceptions which have emerged from battlefields of the early 2020s, have persuaded both public and political opinion to support general conscription.

The programmatic goal for any military establishment is to prevent an attack on the country by posing a credible threat of unbearable damage to any aggressor. For the Finnish conscription system, programmatic success also entails doing so in a cost-effective manner. This implies maintaining conscription while continuously adapting it in ever-changing societal conditions.

There is an important shadow of the past here: the successful performance of the Finnish military during the Second World War. That success was rooted in the Finnish model of general conscription and enabled the Finnish military to create an almost transcendent performance that successfully stopped the quantitatively overwhelming Soviet Army. Since then, both the idea and the practice of conscription have endured although most European countries reformed their militaries into 'lean' professionally based structures following the demise of the Soviet bloc.

Although it endured, conscription has been constantly debated throughout its existence. While from the defence policy perspective there is no credible alternative to a conscription-enabled military establishment, nevertheless there are counternarratives arguing that general conscription is an outdated historical relic, or at least that it should be transformed into a more gender-equality based institution related to the comprehensive security and should be closer to the values and norms of normal societal life (Elisabeth Rehn Bank of Ideas 2018; Poutvaara 2010). However, these key counternarratives against general conscription have actually been inverted and used as building blocks to renew and reinvigorate the model of

general conscription. Conscription legislation—and there were many versions of it during the last century—has always reflected contemporary societal discussions of military affairs. Legal changes were sometimes made in response to change of public opinion and political pressures.

Conscription is necessary if there is a need to maintain large reserves that could be mobilized into service if the security of the nation is threatened. A lack of reserves is the main problem for all-professional militaries. The number of personnel in the current Finnish wartime organization is about 280,000, down from its 500,000 in the heydays of the Cold War. There are about 8,000 officers and non-commissioned officers in active service, forming *en cadre*, the permanent staff in the Finnish Defence Forces (FDF). This small cadre is responsible for training the conscripts assigned to the service.

The small proportion of permanent staff is the main reason military expenses are relatively low. Naturally, maintaining the military capabilities and a sufficient level of military competence among Finland's sizeable body of reservists requires a lot of effort and resources. Hence, there are some branches of services in the Finnish military organization that require mainly professional military persons in their ranks. Therefore, the Finnish military establishment should be seen as a hybrid type of organization that has changed its structure based on the evolution of technologies and changes in contemporary practice in tactics and in the art of war.

Conscription has survived as a system, but there have been prices that the system has been forced to pay in order to survive. Nevertheless, after a full hundred years of operation, conscription is not just a programme-level issue but a living and enduring system in Finnish public life. It needs to be a mirror of the society it represents—otherwise the citizens will not be committed to maintaining it. Therefore, conscription stories and narratives are a quintessential part of Finnish national identity and collective memory.

### **Contexts, Challenges and Agents of the Conscription Programme**

In modern nation states, one of the key roles of the state is to provide its citizens and those legally resident in its territory with security and services. National defence as part of national security is itself an intrinsic value in Finnish society and national defence policy.

Conscription came into being in European states as part of the nation-state formation process (e.g. [Kestnbaum 2008](#): 119). The original purpose of citizen conscription systems was to produce manpower for mass military forces and for the armed defence of states. When every male citizen is a conscript, the state has the entire male age cohort available as recruitment potential for the armed forces and national defence.

General conscription was enacted by the Diet of the autonomous Grand Duchy of Finland in 1878 ([Conscription Act 26/1878](#)). The law stated that every male Finnish citizen was liable for military service ‘for the defence of the throne and the fatherland’. Only one in ten men were finally called up for the three years’ military service from each age cohort. About 30 per cent were placed in reserve detachments and given 90 days of military training over a three-year period. The majority of men were completely excluded from military service ([Screen 1996](#); [Visuri 1997](#)).

A remarkable detail in the first Conscription Act was to espouse the *defensive ideology* and narrative as the basis of defence policy in autonomous Finland and later in an independent state. The purpose of conscription in legislation was for the defence of the throne and the fatherland—neither Russia nor taking part in wars as part of the Russian forces was mentioned in the legal text. The general fear of using Finnish units in Russian wars abroad was reduced by stipulating that Finnish units, excluding the Finnish Guards’ Rifle Battalion, could be used only in the territory of autonomous Finland. The defensive perspective of the act aimed to commit citizens, especially men, to conscription, conscript service and defence of the territory of Finland also on the level of attitudes and values. The law imposed a new obligation on citizens to act in the public interest. The adoption of that obligation under the Conscription Act was facilitated by the underlying Finnish political trend to steer Finland from autonomy within the Russian Empire towards independence.

After the introduction of the [Conscription Act \(26/1878\)](#), the seeds were sown of a national defence mentality that still exists in the relations between citizens and the armed forces ([Laitinen 2005](#); [Särmäkari 2016](#)). For more than a century, conscription has been a deep-rooted part of the Finnish state, nation, society and culture. According to [Laitinen \(2005\)](#), the Finnish conscription model has been intertwined with society over a long period of time in many strands and its significance cannot be reported through single or particular historical events.

The [Conscription Act \(26/1878\)](#) introduced the conscription programme and promoted the establishment of garrisons on Finland’s territory. It sought to support both Russia’s strategic plans to organize the defence of autonomous Finland’s territory and the Finns’ unity with a national ideology and the strengthening of national ideology within conscription. The conscription programme was felt to develop civic education and cohesion between the national elite, estates and people of Finland. The Finnish language was the most important factor in creating a national identity. The national symbols were developed at the turn of the nineteenth and twentieth century, supporting the dawn of national self-esteem and indirectly supporting conscription and military service.

Finns had no unified value base in the late nineteenth century concerning societal values or issues of national defence or security. Contemporary foreign policy of autonomous Finland [as part of Russia] did not support the unification of values

of citizens in terms of a national defence process or conscription. There was also political pacifism, aiming for the maintenance of peace and cohesion between nations and states (Vares 1992). Liberalism's emphasis on individual freedom of choice formed the basis of critiques of conscription and the obligations it imposed on citizens (Vares 1992, see also Laitinen 2005). Liberals suggested that Finland could declare neutrality if there was a crisis or war situation between Russia and Western European countries.

The Fennomans movement was formed by the Finnish patriotic elite in autonomous Finland in the late nineteenth century. The *Fennomans* supported the legislative process to introduce conscription as a programme towards the implementation of autonomous Finnish defence policy. They wanted to support the strengthening of the Finnish national ideology during the period of autonomy and saw the establishment of Finland's own armed forces as supporting this goal. Through these efforts, the Fennomans received support from the peasant estates for the establishment of conscription. There was one argument that developing Finnish national armed forces might reduce the number of Russian forces in the Finnish region. Conscription and the establishment of garrisons on Finnish territory were seen to support the nation-building policy and the process of constructing national independence towards the aspirations of a Finnish national sovereignty: an independent state with its own currency—*markka*—and its own administration (Laitinen 2005; Vares 1992).

There was political tension concerning the national defence process between the patriotic Fennomans elite and the Liberals. The Fennomans supported armed preparedness against an attack from abroad. The Liberals argued that the country and its people should be defended, not with weapons, but instead through civilization and culture. The Fennomans J.V. Snellman especially emphasized the importance of the armed defence of Finland's territory, rather than defending Russia or participating in wars as an ally of the Russian armed forces (Laitinen 2005: 50–55).

As these debates continued, the Russian Revolution in March 1917 repudiated the imperial order, throwing Finland into a period of confusion. Two armed groups were set up: the Red Guards supporting the pro-revolution working class and the counterrevolutionary Finnish-nationalist White Guards supported by the bourgeoisie. After formally gaining independence in December 1917, Finland drifted into civil war soon afterwards.

The armed forces of independent Finland were born on 25 January 1918, when the Senate Committee on the Interior declared the White Guards to be the new government forces. The national armed forces were raised by recruiting troops. During the war, the White Army applied the Conscription Act of 1878 and moved gradually from being an all-voluntary citizens' movement towards a compulsory conscription system, because the volunteer-based recruitment did not achieve the requisite numbers. At the end of April 1918, conscription-based military personnel

made up about 55 per cent of the White Army's total of about 39,000 troops (Manninen 1974).

There were intensive debates in the Finnish parliament after the civil war on how the military establishment should be arranged in Finland. Many members of the parliament were anxious about the possibility that if the compulsive service time was shorter than a year, rebellious sentiments would grow among young men (Ahlbäck 2010: 77; Manninen 1974). The parties on the winning side of the civil war harboured different opinions on whether there should be a militia-based or a conscription-based army. This was the main reason why the Finnish military establishment was not regularized until 1928 (Mälkki 2008), even though a temporary Conscription Act was legislated in 1919 and became law in 1922.

The cadre system, based on general conscription, was considered to be the most suitable for the situation in Finland. The new conscription law set 12 months' mandatory conscript service and 15 months' service for the cavalry, air force and technical forces. The Conscription Act was reformed in 1932, when the length of mandatory conscript service was set at 350 days and for reserve officers and non-commissioned officers, 440 days. About 50 per cent of an age cohort of young men were called for conscript service in call-ups. The 1950 Conscription Act was reformed in 1988. According to the updated law the length of the conscript service was shortened to 180, 270 or 362 days.

The foundation of a national armed defence process is the capability and military readiness to respond to an acute or assessed military power threat to the state. The conscription programme is linked to the contemporary level of military threat and to the building process of a credible defence capability among both Finland's own citizens and the international community. Once the process of national defence was established, it determined the fundamentals of the conscription programme and the evolution of the reciprocal relation between the process and the programme.

### **Conscription Design Debates and Choices**

The Fennoman philosopher and statesman J.V. Snellman (1806–81) emphasized that a small nation must build systems and make decisions that can be depended on in crisis situations or during hard times (Vares 1992; see also Laitinen 2005). The Conscription Act has been updated several times, but the conscription programme was designed as a highly-resilient model from the start to endure as an implementation programme of the national defence process. Changes in the security environment have been linked to the national defence process and the policy success and endurance of the conscription programme during the last century. This has further strengthened the uniqueness of the conscription programme and

created almost mythical taboos about the endurance of conscription which cannot be criticized without drawing considerable disapproval.

A long-standing defence system was created for Finland in 1918–1924. This period was not an easy one for the Finnish military, as there were serious challenges trying to get Finnish conscripts to understand the contemporary military culture. Finns were not used to the German army disciplinarian style which was a dominant trend in Finland in the first years of military training in Finland after 1918. Finns did not comprehend German ways of understanding command and control. German methods relied heavily on harsh military drills rather than practical exercises. Germans who had been involved in providing military training were soon removed from the Finnish training fields and garrisons, but it was not until after the latter period of the 1920s that true changes were made to the conscript service. Military officers had difficulty understanding the role of unofficial social structures or organizations, which were manned by conscripts, inside their formal and official organization (Mälkki 2008).

During the late 1920s, crucial changes were made to update the Finnish military and transform it into a modern organization. There were changes made in military pedagogy that were ahead of their time in the 1920s. In addition, the Military Accident Insurance Law (1926) came into force. This law created a completely new culture in the garrisons, because according to the law, military training should be safe, secure and well planned. The military needed to prevent repetition of serious accidents that caused the State to be liable for paying annuities to the victims.

Even more influential was the 1928 novel *Training Fields and Barracks* (*Kenttä ja kasarmi*, 1928). Authored by the famous novelist Pentti Haanpää, it offered a gripping depiction of how citizens could view the military organization in an altogether opposite way to how the permanent military personnel saw it. Its message was that the military could not afford to operate as a separate caste. It had to become a part of normal society which citizens would enter and depart after they had performed their time of service. These are the main reasons why the military memoirs from the 1920s and from 1930s would eventually depict the same military organization so many different ways (Mälkki 2008).

The Finnish military organization never required calling up entire age cohorts. During the 1930s, it was common that about half of the cohort of male candidates from a specific recruitment area entered military service. The military establishment was kept small because no one believed in the early 1930s that there would be war any time soon (Mälkki 2008). Post-Versailles, the policy was to be responsive to citizens with strong opinions of their role in the military. In the Non-Military Service Act (1931) an important change made was to the Conscription Act (1921), opening up the option of performing unarmed service to conscientious objectors.

When it dawned on Finnish defence policymakers that another war was looming, the recession-ridden fiscal position of the Finnish state limited the possibility of major weapons and machinery purchases to boost military capability. The

cost-effective alternative was to train up as many soldiers as possible. Masses of conscript units took part in rehearsal military exercises in 1937 and 1939 to this end. During the Winter War 1939–1940, the conscription army was used for the purpose that it was established for: defending the independence of the state and the nation against an armed attack by a third state. Maintaining independence had been a pivotal claim underpinning the legitimacy of the conscription system, inducing citizens to commit to national defence at a time of grave national crisis. The reciprocal compact between the state and citizens was tested on the battlefields of the Winter War and in the Continuation War in 1941–1944—and it held. Miracles occurred in the front-line trenches, where conscription-based troops and their professional military officers and non-commissioned officers managed to cope with the extreme battlefield conditions while causing significant losses to Russian forces and performing a high standard of military duties in order to defend the independence of the Finnish state in the Second World War (Mälkki 2008). Politicians have since used the alleged ‘spirit of the Winter War’ to support public confidence in and loyalty to Finnish independence and democracy, as well as to its defence and foreign policy posture.

During the period of the Cold War the Conscription Act was reformed in 1950 and it was used with minor changes until the 1980s. The conscript service period was reduced to 240 days. The maximum time was 330 days for those trained for special duties and officers. During the Cold War period, the conscription system came under attack. According to the spirit of the age, especially after the late 1960s, many conscription-aged male Finns demanded that the military organization should enable democratic decision making and that the conditions in the garrisons should be improved to meet the norms of a modernized society.

The Conscripts’ Union (*Varusmiesliitto*) was established in 1970 and would have a major impact on the conditions inside the garrisons. Its aims were regarded as dangerously radical among professional military officers, who considered it a serious threat to the coherence of the country’s defence establishment. The confrontational climate abated after the late 1970s, when conditions in the barracks had improved and the union had dropped some of its more subversive overtones (Koivisto and Kärkkäinen 2020).

Finland allowed female citizens to voluntarily enter into conscript service when the Women’s Voluntary Military Service Act came into force in 1995. The political debate that preceded it permanently changed the gendered structures of military service and national defence in Finland. The most significant political figure who promoted women’s voluntary was Minister of Defence Elisabeth Rehn. Serving from 1991 to 1995 and the first woman in this position in Finland, strongly pro-Western and pro-NATO, she wanted to show that Finland belonged to the Western world. Rehn pushed through significant reforms, one of which was incorporating women in the conscription system.

The most crucial arguments to enable voluntary military service for women were to be responsive to the changes that had taken place in society and thus to promote gender equality. Reform supporters suggested that military service and gender-neutral military career paths were opportunities for Western standards of gender equality. The training of volunteer women is currently carried out in connection with military service with as few special arrangements as possible. However, a volunteer woman has the right to suspend service during the first 30 days of service at the start of her training. After the 30-day milestone women fall entirely under the regime of the Conscription Act.

Over time, the broader debates about national defence and about the design of the conscription programme and its place in Finnish society have become closely intertwined. The aim of the defence and security policy is to guarantee the independence of the state and the security of its citizens in all circumstances and dimensions. Finland's geopolitical location places demands not only on Finland's defence policy, but also on the security of the Scandinavian and Baltic Sea and the Nordic Arctic regions. Finland has responsibility for ensuring security on its eastern border, which sets significant demands on Finland's defence policy and its implementation from the perspective of both national and Scandinavian security. National defence has been framed as a duty of the state, which must be organized credibly. The political debate and decisions concerning the national defence process have defined the conscription programme and its essence over the decades.

Conscription has been institutionalized as the only cost-effective and feasible model to establish a national defence. The conscription system has reciprocally set demands on the national defence process and policy. The intrinsic value of the defensive perspective has supported citizens' commitment to national defence, the defence obligation and conscription. The political and societal debates seeking alternatives to conscription have focused on the professionalization of armed forces. That option has been seen as a significantly more expensive system. The legitimacy and policy success of conscription are crucial phenomena in the politics of how to organize national defence. Conscription has been taken for granted as the only cost-effective and feasible model to establish a national defence. Critics argue that conscription has legitimized a policy of 'buying defence on the cheap', and point to Finland's humble defence budget (in 2020, EUR 3.17 billion, less than 1.4% of GDP) in view of the extremely challenging security environment the country faces ([Finnish Government 2017](#)).

### **A Resilient Policy Success**

Conscription has achieved policy success and endurance at the process, programme and political levels.



## Programmatic success

The purpose of the conscription system is to recruit, train and maintain adequate troops and units for the FDF. The statutory tasks of the FDF are to secure Finland's territorial integrity, the livelihood and basic rights of its population, and the freedom of action of the government, as well as to defend the rule of law. Conscription develops the military capabilities, which ensure the key principles of national military defence. Reservists man 95 per cent of the FDF's war-time units, and only 5 per cent of the personnel are cadre-based. According to the Finnish Constitution, the obligation to defend the country applies to every citizen. However, mandatory military service applies only to men. The pressure to look at the current system critically is primarily focused on the issues of gender equality and how citizens' duty of national defence can be better exploited in a contemporary modern welfare state in the 2020s.

While the primary function of conscription is the mass production of manpower for the wartime needs of the defence system, military service is a national institution that has an impact on society in many ways and on many levels at the same time. Politicians have justified reasons for and against conscription through the positive social impacts on society and side effects of the system. The desired social impacts of the conscription programme have been manifold, ranging from its foundational role in the defence system's capability to protect society and the state in a cost-effective manner all the way to its beneficial impacts on public health and the development of the skills and competences of conscripts ([Ministry of Defence Finland 2010](#); [Mäkinen 2013](#): 103–111).

## Political success

Conscription maintains the agency of Finns within the national defence process. Notwithstanding its obligatory nature, for many Finns national defence primarily means conscription and the period of conscript service ([Kosonen 2019](#)). Conscription is a key cultural phenomenon, even a myth that unites citizens and creates intergenerational continuations ([Laitinen 2005](#)). Conscription has been considered to be linked closely to the will to defend the country, which is high in Finland by international standards. We argue that conscription maintains and develops the will of the Finns to defend themselves and the country.

Political success can be measured by the positive public opinion and the broad-based support that Finns and the political parties across the spectrum have shown for the national defence and conscription policy ever since the system came into being. One of the cornerstones of that support has been Snellman's ethical idea that the interests of the people and the nation are more important than the interests of

the individual. The value of community, sacrifice on behalf of the community, and widely positive public opinion have supported the conscription programme, its legitimacy and endurance in Finnish society. Conscription has evolved into a multidimensional, versatile and enduring part of Finnish society. Its counternarratives have lacked the political clout to challenge or change the practice, strategy or political determination of conscription.

The system of compulsory military service enjoyed widespread support among both politicians and citizens during the Cold War era, when the threat of war was widely considered real and salient. Post-1989, with defence systems in other European countries abolishing conscription and moving towards professional armed forces, the legitimacy of the conscription model as a civic duty has become more complicated to justify. In fact, the most significant reason for the end of conscription in European countries, however, may well have been the corrosion of societal support for it. When the security environment changed yet again in the wake of the war in Ukraine and the 2014 Russian occupation of the Crimean Peninsula, some European countries, for instance Sweden and Lithuania, reintroduced conscription (Kosonen et al. 2019b: 47).

Finland however has been steadfast in its commitment to the conscription model, whose rationale continued to be rooted and narrated in Finland's geopolitical location, the proximity to Russia and uncertainty about security in the future. In the annual surveys of the National Defence Information Planning Board (ABDI) throughout the twenty-first century, on average, 75 per cent of the population have supported the current system (conscription mandatory for men and voluntary for women) instead of a selective military service or professional army. By 2020, more than half the population were in favour of moving to universal civic service for both men and women in Finland (ABDI 2020).

That said, opponents and counternarratives to conscription have gained some ground in the post-Cold War environment. The political left, the Union of Conscientious Objectors, some NGOs and other interest groups have presented political pacifistic agendas from time to time to renounce conscription and the obligation for men to perform conscript service (Kalemaa 2014; Kosonen et al. 2019a: 300–301; Kosonen et al. 2019b). The key arguments against the current system have been practical issues to do with the life span of an individual and the citizen's individual freedom and freedom of conscience in society (Kallunki 2015). The conscription system has been criticized as an unequal obligation for the individual and an expensive system for society.

Defence reforms and the professionalization of the armed forces have been advocated in light of changes in the security environment and the advent of new military technologies whose operation requires specialized competencies. Moreover, the problem of gender equality in the current conscription model has been highlighted in social debate and also in the programmes of political parties in 2000s.

Outright opponents of conscription have depicted the current system as an outdated relic that is expensive to maintain and unequally distributes responsibilities between the genders. Organized opponents of conscription, such as The Anti-Militarist Peace Organization (*Aseistakieltäytyjälliitto*), appeal to pacifism, humanity, individual freedom and anti-militia political and economic goals in their agendas.

Economists have argued for and against conscription. Poutvaara (2010: 413–416) criticizes models that look at the affordability of the conscription programme only from the perspective of the state and the national interest. He emphasizes the economic impact of conscripts being excluded from productive work and having to do free work for the benefit of the armed forces and the state (Poutvaara 2010: 416–417). Other scholars have argued that the state-imposed obligation to kill others that is integral to a conscript army is morally problematic. The coercion and the dual roles and identities as both a soldier and a civilian citizen are argued cause friction within conscripts more so than in professional soldiers who have chosen to serve (Kosonen et al. 2019b: 46–57).

In countering the array of critiques, advocates of conscription have emphasized the human capital, competences and the positive societal cost-effectiveness of the conscription system. They continue to stress the draft as the most appropriate and cost-effective way to implement a reliable means of national defence in small countries (e.g. Kannianen and Ringbom 2016; Ministry of Defence Finland 2010). For example, Kannianen (2018) states that the costs of conscription are well offset by its benefits to the national interest, and that the expenses of the conscription system are considerably lower than the costs of a professional army.

## Endurance

As evident from the survey data presented in this chapter, conscription remains a political success in that the current system continues to be widely accepted by Finns, notwithstanding significant challenges in the security situation and a range of counternarratives attacking its moral basis, fairness and efficacy. The robustness of this support may in part be explained by the adaptive nature of the system. Over time, and in response to social and political advocacy, various changes have been made to the system. The duration of the compulsory conscript service for men has been shortened several times in its history with updates to the Conscription Act. The creation of non-military service and women's voluntary military service are particular examples of changes and political compromises that have been made to the conscription programme to accommodate pressures for reform and thereby maintain the high levels of support needed.

Non-military service [civil service] has existed since 1931, when Finland's first Non-Military Service Act, *Lex Pekurinen*, was enacted (Kalemaa 2014: 104–127;

Lindstedt 1991: 19–21). According to Kosonen et al. (2019b), most of the countries that have a conscription-based military service have also alternative requirements for those who are conscientious objectors or object to taking up arms. In Finland, a person liable for military service who asserts that serious reasons of conscience founded on conviction prevent him from carrying out the service laid down in the Conscription Act, will be exempted from service and assigned to perform non-military service. The percentage (5–8% of an age cohort of men) of conscripts who apply for non-military service or who are conscientious objectors has remained stable during the last decades.

Women's voluntary military service represents gender equality in the conscription system and in Finnish society. The requirements for the women's service are the same as men. Women and men have equal access to leadership training and later to a military career. Service positions are not divided according to gender but on the basis of personal suitability and competence. Women who have completed the service will be placed in training-equivalent positions during war—also for front-line combat duties—according to the same principles as men. Over 10,000 volunteer women have been trained in the FDF since 1995. The number of applicants and women completing military service has grown throughout the twenty-first century. The model of women's voluntary military service in support of the conscription programme is widely accepted by citizens. However, citizens do not show their unreserved support for the development of conscription in a gender-neutral way as a mandatory obligation for all genders.

At the same time as the number of volunteer women applying for and completing military service has grown, the percentage of men who have been assigned to conscript service and who have completed their conscript service has decreased in line with the trend. In 2020, just over 70 per cent of the age cohort of 18-year-old men were assigned to conscript service and about 65 per cent of the age cohort of 30-year-old men had completed their conscript service by the statutory age. The most important reasons behind the inability to complete the conscript service are mental health problems, obesity, and musculoskeletal disorders. At this stage, it is difficult to assess whether the socio-demographic basis for conscription will dwindle in future. The prevalence and coverage of conscription in society has started to be debated politically, the central question being how much the percentage of the age cohort completing conscript service can decrease before this starts to undermine the social contract underpinning it.

### **Conscription Forever?**

Finland has maintained and developed its conscription model throughout the twentieth century and early twenty-first century. We have shown that the general conscription model has fairly strong and stable support in Finnish public opinion

and has become a part of national history and identity narratives. [Laitinen \(2005\)](#) sums up the nature of Finnish conscription: ‘Citizens support conscription as Finland’s main defence solution and consider it an almost sacred system that should not be abandoned.’ As no reasonable alternatives to the current conscription model have been presented, three out of four Finns continue to be in favour of maintaining the current model as the cornerstone for the national defence system in Finland.

But the story does not end there. There is reason to question the long-term sustainability of the Finnish conscription bargain. In recent decades the strongest support for the conscription system has been from the oldest age groups in Finnish society. Young people and young adults (under the age of 30) are the most critical about maintaining the current model of general conscription. Their opinions reflect an emphasis on alternatives and individual freedom of choice as a basis for the development of conscription ([Kosonen et al. 2019b](#); [ABDI 2020](#)). Young people with responsibility for carrying out conscript service are most critical of conscription, its preservation and its legitimacy. Middle-aged and older age groups are more conservative in their values and are free riders in the conscription system. They no longer take an active part in conscription or have the role of being citizen soldiers. They are more eager to endorse the programme to secure national defence by supporting the current system remaining in place ([ABDI 2020](#): 32–36; [Poutvaara 2010](#): 416).

The defence system is a complex and interdependent entity. Conscription is an important part of this system. Changes to parts of the system have a broad impact on the whole. When mapping the need for change, the consequences and multiplier effects must be considered. In addition to the military perspective, change requires economic, social and legal evaluation and valuation. So far, Finnish politicians have mainly discussed not whether but how the conscription system should endure into the future.

Although we have depicted conscription as a success story, we cannot be sure how current and future trends will challenge or strengthen its sustainability. The complexity of the security, threats and military environment have certainly increased markedly since 2010. Digitalization, global interdependence, and the diversification of threats are being emphasized as factors influencing the complexity ([Raisio and Puustinen 2021](#)). How does this challenge conscription and national defence? So far, government White Papers and defence policy reports consistently argue for maintaining the current model and argue against its abolition or significant reduction. They are aware that once abolished, a conscription system cannot be credibly restored even if the security situation changes significantly. They cast a wary eye on Sweden that has been re-introducing conscription after a decade-long pause and now suffers from recruitment problems and poor public support. Also, the US has noticed that the costs of the professional army are getting out of hand at such a pace that the state must weigh up alternative solutions

and consider the restoration of drafting as a possible future. So, while its future will continue to be debated periodically, for the time being Finnish conscription is here to stay, and, as we hope to have shown, not just because ‘there is no alternative’, but because of its deep roots in society.

### Questions for discussion

1. Most European countries have decided to abolish mandatory conscription. Is it possible to restore national service and conscription if it has already been abolished?
2. Do you personally know someone who has served or is serving as a conscript in any military organization? What kind of perceptions do you have of conscription?
3. What would be the best way for Nordic countries to increase peace and stability in Northern Europe and the Arctic Ocean?

### Links to online resources

The Advisory Board for Defence Information (ABDI)—A Permanent Parliamentary Committee in the Ministry of Defence Finland. Annual survey reports of Finns’ Opinion on Foreign and Security Policy, National Defence and Security: [https://www.defmin.fi/en/the\\_advisory\\_board\\_for\\_defence\\_information\\_abdi#101837bd/](https://www.defmin.fi/en/the_advisory_board_for_defence_information_abdi#101837bd/).

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# Gender Quotas for Municipal Executive Bodies in Finland

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## Introduction

This chapter recounts how mandatory gender quotas for municipal executive bodies were adopted and implemented in Finland, arguing that the case was a programmatic policy success which has endured over time. However, the quota measure did not so much come about by governmental intent or design, but rather was inserted into legislation by the activities of Finnish women's organizations, women MPs and state gender equality agencies co-operating to end what they saw as gendered injustice persisting in local-level politics. Thus, this Finnish case bears testimony of the fact that progressive policy change can be achieved in a variety of different ways, although attempts by less powerful or non-governmental actors may take time to come to fruition. For them, forging alliances and skilfully using the political tools and opportunities available to further one's aims are keys to success.

Ameliorating women's under-representation in state corporatist bodies and local government had been high on the agenda of Finnish and other Nordic countries' women's movements and state gender equality authorities from the 1970s onwards (see e.g. [Hernes 1982](#); [Haavio-Mannila et al. 1985](#)). Norway came to be a forerunner with an innovative policy solution to these problems by the early 1990s, namely a mandatory gender quota, when there was decreed that membership in state public committees and boards (1988) and, at the local level, municipal executive boards and sectoral committees (1992), should consist of at least 40 per cent of both women and men ([Borchorst 1999b](#): 198; [Guldvik 2005](#): 7). After more than a decade of utilizing milder remedies for the inequalities in municipal politics in Finland, women MPs, along with other actors in the feminist policy advocacy coalition, finally lost patience and 'rebelled' in parliament in 1994–1995 in favour of mandatory gender quotas. As a result, an obligatory gender quota for public bodies was also adopted in Finland in the Gender Equality Act of 1995, with the specific clause (§ 4.2, from 1995 onwards also called 'the Gender Quota Statute') stating: 'The minimum percentage of both women and men in state committees, public boards and other corresponding bodies and in municipal organs, excluding

the municipal councils, shall be 40, unless there are special reasons to the contrary' (Law 206/1995).

For the sake of clarity, other closely related gender-specific clauses as well as later modifications of this specific Gender Quota Statute will be excluded from the discussion in this article. Moreover, in order to distil the core of the policy evolution over time re municipal gender quotas, I will also to a great extent exclude items concerning state-level organs, unless they are directly relevant for understanding the larger context.

This case study presents an example of an internationally very rare type of gender quota, namely a *quota for public bodies*. Quotas for public bodies are measures which are decided in an authoritative manner in advance of their application by setting up a percentage or a number for the representation of women or men with an aim to secure their descriptive representation in public bodies *other than* legislative assemblies or other organs elected via direct elections (Holli et al. 2007: 33; Holli 2011: 143–144; see also Dahlerup 2006a: 19).<sup>1</sup> The targeted bodies can be, for example, state commissions of inquiry, advisory committees or boards, scientific councils, international delegations or any other type of public multi-member organs, the members of which are appointed or selected by various means by policymakers or the bureaucracy. Thus, the area to which quotas for public bodies are applied differs from the other two types of gender quotas which are much more commonly utilized around the world and also considerably better known to research. Those two types are *electoral gender quotas* and *corporate gender quotas* (Dahlerup 2006a; Hughes et al. 2017; Paxton and Hughes 2017: 169–200; Teigen 2012). The former sets a numerical percentage for the genders either to a parliament or an assembly directly or targets the gender composition of candidates on the party lists in democratic elections. The corporate gender quota on the other hand targets the gender composition of the boards of private companies, and thus, aims at increasing gender equality in the business sector (see also Chapter 7, 'Gender Quotas for Corporate Boards' by Teigen in this volume).

Internationally, the most well-known cases of the use of gender quotas for public bodies encompass Belgium and three Nordic countries, Finland, Iceland and Norway. It is also expressly in Finland and Norway that this type of gender quota is extended to municipal executive bodies. The reasons can be found not only in earlier shared problems in women's under-representation in the executive branch of local government but also in the fundamentally similar organization of strong local level democracy, where the municipal council wields decision-making powers and executive power, including the preparation of matters and their implementation,

<sup>1</sup> Most often such quotas are referred to in the literature as 'quotas for public boards', or 'quotas for public boards and committees', and they are typically regarded to be applicable to advisory or policy-preparatory organs only. However, as in Finland and Norway these quota regulations are applied to municipal and regional bodies which wield executive power, I opt for a more encompassing denomination.

is delegated to the municipal executive board and the municipal sectoral committees.<sup>2</sup> In Finland, the members of the municipal councils are elected by popular poll every four years. In turn, the municipal council formally elects the members of the executive board and the municipal sectoral committees via a procedure that in the Nordic countries is often referred to as indirect election (Heuru et al. 2011; Law 365/1995; Oulasvirta and Brännkärr 2001). The specific rules for electing the members of municipal executive bodies are proportional and based on the principle of consociational power-sharing: the executive bodies closely reflect the political composition of the municipal council, all parties with seats in the municipal council share executive responsibility, and there is no division into ‘government’ and ‘opposition’ at the local level (Law 365/1995; Oulasvirta and Brännkärr 2001: 21). In practice, the candidates for the posts in executive bodies are selected in advance by local party organizations internally. It was also the local party organizations’ prevalent gender bias in the choosing of representatives for the executive branch that the gender quota regulation applied to municipal executive bodies aimed to counteract.

Next, I consider why this Finnish case should be evaluated as a policy success. After that, a more detailed account of the central actors and how the issue emerged in the political agenda is given, before describing the main points of the lengthy policy evolution towards numerical gender quotas taking place between 1980 and 1995. After a description of how the policy outcome, mandatory gender quotas, have been implemented in Finnish municipal executive organs over time, the article is concluded by a brief discussion of the characteristics of this policy process in the national context, as well as some considerations for further applicability of similar quota measures.

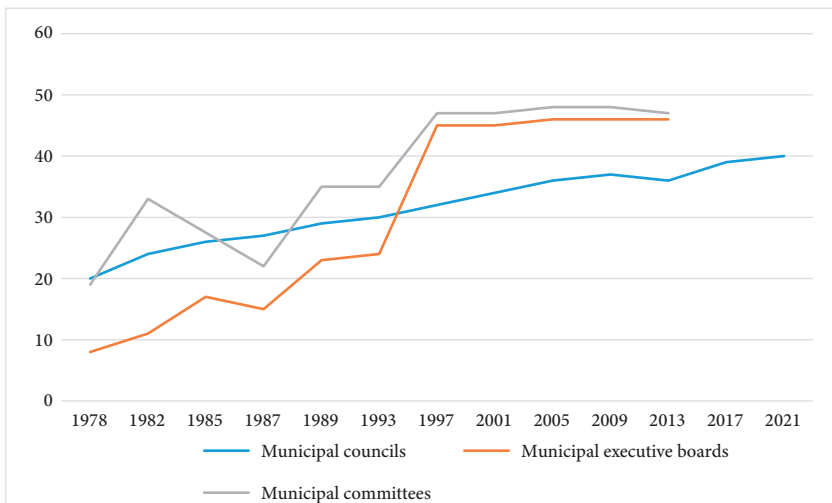
### A Policy Success?

This Finnish study represents a unique case where ‘a politics of presence’ (Phillips 1995) via gender quotas has been successfully extended to important public arenas and institutions of power outside the legislature. In terms of the PPPE-framework (see Chapter 1, ‘Introduction: Studying Successful Public Policy in the Nordic Countries’ by de la Porte et al. in this volume), the Finnish case of municipal gender quotas can be regarded as fulfilling the criteria for both *programmatic success* and *consolidation and endurance over time*. A beneficial outcome in terms of increased gender equality as measured by achieved gender balance in municipal executive bodies was reached in an efficient and apparently permanent manner. The quotas were formulated in a gender-neutral manner, thus of potential benefit

<sup>2</sup> In addition, for executive functions each Finnish municipality is required to have either a municipal manager (a civil-servant post) or a politically elected mayor.

for both genders, but in the shorter run they very much worked in women's favour and men's disadvantage. However, already from the year 2000 onwards there were instances of big cities compelled to modify the composition of their executive organs to include more men, as initially they had selected too many women, a development which clearly illustrates the longer-term benefits of the reform for both genders.

Figure 23.1 illustrates the development of the proportions of women in municipal councils and municipal executive bodies in Finland over time and the effect of the Gender Quota Statute. From the late 1970s until 1995, there persisted a strong vertical gender segregation as women's share in executive boards lagged behind that of municipal councils. A gender balance in executive boards was achieved after the quotas were implemented from the 1996 municipal election onward (Holli et al. 2007: 41; Holli 2011: 147; Pikkala 1999: 478). The situation has been very stable since until 2013, the last year from which detailed gender statistics of these organs is available. Similarly, gender balance was achieved in one single strike in municipal sectoral committees. There, the quotas also removed the strong horizontal gender segregation, where women had occupied 'soft' policy sectors such as education, health and social affairs and men had dominated the 'hard' policy sectors such as the economy and technical affairs (Holli et al. 2007: 42;



**Fig. 23.1** The proportion of women in municipal councils, municipal executive boards and municipal committees in Finland 1978–2013/2021

Sources: author, compiled from Holli 2012: 148; Piipponen 2015, appendixes 2 and 3, 9–10; Statistics Finland 2021; Finnish Institute for Health and Welfare 2021.

Note: Percentages of municipal executive bodies 1978–1985 are based on sampling 113–118 Finnish municipalities. Data on the gender distribution of seats in municipal executive boards and committees are not available from 2017–2021.

Holli 2011: 148–149; Pikkala 1999: 478). In addition, as far as there is data available, there has been no variation in quota compliance between Finnish municipalities but the quotas have been implemented in a satisfactory manner. This has also meant the elimination of the difference in women's representation in the executive bodies between urban and rural municipalities (Holli et al. 2007: 45–47; Holli 2011: 148–149).

The feminist advocates' discourse loosely drew from the theory of women's 'critical mass', which was an influential motivational idea for women's movements in the 1980s (see Dahlerup 2006b, 1988). It anticipated qualitative positive change, such as more 'women-friendly' policy outputs, when women's representation exceeded a certain threshold, often set at a third of members. In the Finnish debates for municipal gender equality, both the feminist proponents and the government predominantly deployed the utilitarian 'resource argument' (see Hernes 1987: 22–3) to motivate the reforms. Emphasizing women and men's different experiences of and perspectives on political issues, they stressed the benefits that would ensue to Finnish society in its totality if women's under-deployed capabilities and expertise would be put to use (Raevaara 2005, 2008). It was also these motivations that in a minimal way made their way to governmental, official policy documents, where there, by contrast, were scarce referrals to policy evidence or information as such.

By contrast, it is dubious whether the case can be considered a *process success*. Although the municipal gender quotas, as evaluated by their outcome, proved to be an innovative policy instrument suited for their context, they did not come about by careful planning by the government. Rather, the policy output and its successful implementation were results of a Finnish feminist coalition resorting to policy imitation from Norway and a series of fortuitous circumstances in the form of an already existing, strong legislation on local authorities. A factor witnessing of partial process success is, nevertheless, the fact that the Finnish, relative open policy-making process tends to offer a variety of opportunities for the feminist coalition to make their voices heard (Holli 2003: 162). However, for example, in this quota case Finnish women's organizations were initially excluded from the preparations concerning the modification of the Gender Equality Act in the early 1990s. After protesting, they were given access and a special hearing session was arranged for them (Raevaara 2005: 74). It proved influential to the policy outcome since most of these organizations by that date had started supporting gender quotas (ibid.).

The criteria for *political success* are difficult, too, to apply to this Finnish case, and they seem inconclusive, if not indicating a policy failure. The reform was very much contested from the beginning onwards by many male local politicians and in particular right-wing parties (Parviainen 2006; Raevaara 2005; Raevaara and Saarikoski 2002). The conflicts over the quotas already abated somewhat during the 2000s, with more conformist attitudes slowly emerging (Holli et al. 2007).

During the 2010s, municipal gender quotas have, however, been very much a political non-issue. Lack of information and dissemination concerning the remarkable results of Finnish municipal gender quotas have also effectively prevented their deployment for reputational gains both by governments and by the feminist policy advocacy coalition. Despite the fact that Finnish people tend to take much pride in their high level of gender equality, there are few gender statistics and little dissemination available in regard to local governments in Europe or worldwide, or even cross-national studies on these aspects among the Nordic countries. As a result, apart from some experts, there are few at home or abroad who even realize the significance of this particular Finnish gender equality triumph in the field of executive power at the municipal level.

### Central Actors and Agenda-Setting

In a similar manner as in many other issues concerning women's rights in Finland during the latter half of the twentieth century, there emerged a feminist policy advocacy coalition with the intent of changing social practices causing gender inequality in the field of local government. Previous scholarship has called the formats this coalition in Finland took as feminist 'strategic partnerships' (Halsaa 1998), a denomination which draws attention to cooperation by women's movements and organizations, women politicians and state gender equality authorities on pragmatic, specific issues (Holli 2003: 38, 165, 2006: 145–6). It is also these actors which brought municipal gender equality to the political agenda, made initiatives and proposals regarding it and utilized political tools at their disposal to bring about legislative change to remedy perceived problems. The configuration of the individuals, groups and institutional actors in these strategic partnerships varied to some degree over the years, as for example, the state gender equality machinery was reorganized in the late 1980s, and from event to event in the longer-term policy evolution. Although the core of the strategic partnerships tended to be made up from women and feminists, male allies as well as co-operation with other political actors and organizations also played important roles. In this section, I will delineate the emergence of the issue to the political agenda and describe some of the main actors behind the efforts.

In 1972, the government established a special state organ, the Council for Equality between Women and Men (henceforth: Council for Equality) to take care of the preparation of gender equality affairs in co-operation with other state authorities and societal actors. The council was organized as a permanent advisory board. The promotion of political gender equality was high on its agenda, not least because the members were predominantly women MPs and female representatives of political parties' women's sections who were intimately involved in this particular issue (Holli 1991: 54–55, 87–92) For the next two decades, the Council

for Equality came to be the central hub via which women's organizational demands were transmitted to Finnish policymaking.

In Finland, it has quite exceptionally been women's party sections (i.e. separate women's organizations which exist in each political party) that have been crucial actors in pushing feminist agendas forward in public policy (Bergman 2002: 210–2; Christensen 1999: 77; Holli 2003: 163; 2006; Jallinoja 1986). Dating back to the birth of the Finnish party system at the beginning of the twentieth century, their original purpose was to educate and recruit women to the party's fold. Early on, they took roles as the parties' experts on women's issues and policies. When they in the 1970s and 1980s started to adopt feminist ideas and agendas, they also came to a varying degree to assume roles of (pro)feminist pressure groups within the parties as well as the 'political arm' of the larger women's movements with insider access to political fora (Bergman 2002: 210–2; Holli 2006). In contrast, the Finnish autonomous women's movement organizations of the third feminist wave were quite fragmented and weak (Bergman 2002). They have typically also been less visible than women's party-based organizations in Finnish policymaking although influential in bringing forth new ideas which have impacted the political women's day-to-day activism in the policy-making arenas (ibid; Holli 2008: 175).

Because Finland had an internationally high level of women's representation in its legislature which had already reached the 'critical mass' of 30 per cent in the early 1980s, women's political demands to a high degree targeted other political arenas which were regarded as displaying severe gender gaps and gender discrimination. Gender inequalities in corporatist structures and the local government were the most prominent issues, on which the Council for Equality performed research and issued numerous policy initiatives.

In 1974, the Council for Equality discovered that only 6.9 per cent of the members of commissions of inquiry preparing legislative reforms were women (Holli 1991: 98; Tuominen 1984: 2). Notably, the figure displayed a stark contrast with the proportion of women MPs which had reached 21.5 per cent in 1973, as well as women's share of municipal councillors (14.7% in 1972 elections). What was even more disturbing, was the observation that about two-thirds of state committees (65.1%) were all-male, without even one woman participating in the drafting of reforms in many policy sectors (Tuominen 1984). The discoveries started a decades-long campaign by the council directed at other state authorities where it instructed them to observe gender-balanced principles when appointing members to such bodies. In 1987, the year when a newly minted Gender Equality Act came into force, the figures had just slightly improved: there were still only 15.1 per cent women in state commissions, a third (34.4%) of them totally without female representation (Silfverberg 1987).

Women's position in municipal politics was a top priority on the council's agenda during the period 1979–1986 (Holli 1991: 62). It established a special

working division devoted to the problem in 1978 (*ibid.*) and prepared research reports on the distribution of municipal positions of power between the sexes. A typical feature to Finland, as well as the other Nordic countries, has been the tendency that women's political representation at the local level lags behind their share at the national level. What was found out now was the relatively strong vertical gender segregation between municipal councils and the more powerful positions in the local executive bodies. For example: in 1980, 22.2 per cent of the members in municipal councils were women. In 1982, they occupied just 11 per cent of seats in the executive boards and 33 per cent in the municipal committees<sup>3</sup> ([Pekkola and Haataja 1983](#): 2–3). The horizontal gender segregation of municipal committees was also found to be very strong, with men predominating to a great degree in economic and technical committees and women congregated in committees dealing with education and social and health affairs. All these facts pointed to severe structural problems in the way members of executive bodies were selected in Finnish municipalities, and led to a flurry of recommendations and proposals by the council towards other authorities and, for example, the political parties, that they should start working towards ameliorating the problems at the municipal level. In addition, the council in 1983 proposed changing the Municipal Act with an amendment stating that women and men should be selected to municipal executive boards and committees 'in an equitable manner'. The central organizations representing Finnish local authorities were, however, not amenable to the proposal ([Holli 1991](#): 63; [Raevaara 2005](#): 71–72).

Both of the problems of political equality that have been described—the gender imbalance in corporatist bodies and in executive bodies at the municipal level—came together to find their solution in a preparation of a law for gender equality for the country and its subsequent amendments. The Council for Equality was tasked with preparatory work for it in the early 1980s ([Holli 1991](#): 62–65). The main purpose of promulgating the law was to prohibit gender discrimination in particular in working life, but also in the larger society, in concordance with Finnish international commitments to the United Nations Convention on Elimination of All Forms of Discrimination Against Women (CEDAW).

In the first half of the 1980s, the debate was characterized by a duality of perspectives concerning proposals to improve gender equality in corporatist bodies and the local government. On the one hand, all endorsed the goal as desirable in itself. On the other hand, many societal actors, in particular the organized management but also, for example, several ministries and the central organizations for local authorities, viewed any suggested concrete measures for that purpose with suspicion and outright resistance (see e.g. [Raevaara 2005](#): 72). In particular, gender

<sup>3</sup> In fact, in 1987 women's share in municipal sectoral committees was revealed to be just 22 per cent in a study not resorting to a sample of municipalities as the previous studies had done ([Haataja and Malin 1987](#)).



quotas were regarded as ‘undemocratic’, and not suitable to the functioning of the Finnish political system or culture. During that period, feminist actors and the Council for Equality, too, were mostly very dubious about the desirability of gender quotas as a method. Rather, there prevailed a trust that codifying the principles concerning gender-balanced public bodies in a formal law, even in a less mandatory format, would do the trick and make state authorities and societal actors alike appoint women and men to relevant bodies in an egalitarian manner.

### An Incremental Journey

The incorporation of ever stronger gender requirements to state and municipal organs in the Gender Equality Act took a total of three separate legislative processes from the 1980s to mid-1990s ([Law 609/1986](#); [Law 406/1988](#); [Law 206/1995](#)). The issue of ameliorating the inequalities in women’s representation with § 4.2 gained in priority during these processes, from being a very minor detail in the adoption of the original Gender Equality Act in 1985–1986 to occupying a quite significant role in its later amendments. It was also to a great degree the various actors in the feminist ‘strategic partnerships’ with some male allies who made interventions and moved the legislation forward to include measures tackling women’s under-representation in municipal executive bodies. Their opinions concerning suitable remedies and methods also increasingly started to support mandatory gender quotas in the early 1990s. However, the division over gender quotas persisted to the very end also within this group.<sup>4</sup>

Initially, in the drafting of the Gender Equality Act in 1985, the left-centre government intended to exclude municipal organs from the statute concerning gender representation, as also explicitly mentioned in the bill. The mention of municipal sectoral committees was, however, added into the statute in parliament by the Second Law Committee as it ‘unanimously’ amended the law text in this respect in its report to the plenary ([Second Law Committee 1986](#)). Hence, after confirmation by the parliamentary plenary, the final law stated that there ‘shall be both women and men’ also in municipal sectoral committees ([Law 609/1986](#); see also [Parviainen 2006](#): 185–186). This amendment had been proposed in the standing committee’s expert hearings by the representative of Naisasialiitto Unioni, a third wave feminist women’s organization ([Naisasialiitto Unioni 1985](#)). A similar suggestion in the form of a private member’s law motion had been put forward by MP Inger Hirvelä from the extreme left-wing Finnish People’s Democratic League

<sup>4</sup> For example, the Council for Equality could not formally take a position as an institution to quotas in some of the 1990s’ debates as its members, representing all political parties and opposing standpoints to quotas, were divided on the issue (e.g. [McBride and Mazur 2010](#): 107–108). Also, the two persons occupying at different periods of time the position of Gender Equality Ombudsman came to hold opposing viewpoints concerning mandatory quotas.

(SKDL), spiced up by additional admonishments of giving a third of the seats to women (Law initiative 55/1985). Notably, MP Hirvelä was the leader of her party's women's organization SNDL, which had by then adopted radical feminist ideas (Katainen 1994: 376–8) and was among the first Finnish women's organizations at that time to start debating introducing gender quotas to internal party organs (Holli and Kantola 2005: 69–73).

The late inclusion of solely municipal sectoral committees to the law's paragraph however caused problems in implementing the statute in practice, as it was interpreted to exclude municipal executive boards and other municipal bodies from the area of application (Parviainen 2006: 187).<sup>5</sup> In 1987, only a year after the approval of the Gender Equality Act, the government had to submit a new bill amending this lapse (Governmental proposition 192/1987). After the modification, the requirement of both women and men as members was to apply to all 'municipal organs' except the municipal council (Law 406/1988; Parviainen 2006, 187–188). Notably, this amendment basically achieved what the Council for Equality had initially proposed in 1983 when suggesting changes to the Municipal Act.

Even after this more encompassing amendment, Finnish municipalities and municipal actors continued attempts to circumvent the statute, for example by choosing only one woman to relevant municipal organs, not several as required. This occurred despite admonishments by Gender Equality Ombudsman<sup>6</sup> Paavo Nikula, who repeatedly had to remind municipal authorities and the public that the law actually required several women and men in such bodies. The conflicts over the interpretation of § 4,2 were also taken to the Supreme Court of Administrative Justice in charge of deciding legal disputes concerning municipal authorities. In 1990, it decided the matter in the recalcitrant municipalities' favour: that one woman was indeed enough to fulfil the requirements in respect to relevant municipal bodies (Holli and Kantola 2005: 74; Nousiainen et al. 2013: 55; Parviainen 2006: 189–193; Raevaara 2005: 72).

Women's organizations and other advocates for gender equality were outraged over the court's decision. This judgment became also the turning point in Finland after which support for Norwegian-style, mandatory numerical gender quotas by law started to gain ground among feminist actors. Support for gender quotas grew even among right-wing women and their women's organizations which earlier on had strongly objected to them. Instead, they had preferred voluntary measures or Swedish-style targets (i.e. target timetables by which societal actors would have

<sup>5</sup> The confusion about the interpretation was linked with the terms for municipal executive bodies in the Finnish language. What I in this article for clarity's sake have opted to call 'municipal sectoral committees' are in Finnish called 'municipal boards' (*kunnalliset lautakunnat*), with the Municipal Executive Board called 'municipal government' (*kunnanhallitus*).

<sup>6</sup> The Gender Equality Ombudsman's institution was established to monitor compliance with the Gender Equality Act from 1987, and it functioned as the judicial arm in the new organization of gender equality agencies, now three in number. In addition to the Council for Equality, the third one was the Gender Equality Unit in charge of preparing governmental gender equality policy (Borchorst 1999a).

to reach the set objective in the representation of the genders in relevant bodies before the government would start considering other types of measures) as an amelioration to inequalities in local politics (Holli and Kantola 2005; Raevaara 2005). The conversion of right-wing women to the coalition behind numerical gender quotas was also what in the end was crucial for the introduction of mandatory gender quotas to be included in the Gender Equality Act in 1994–1995.

In 1991–1992, two separate commissions of inquiry proposed explicit numerical quotas of at least 40 per cent of both genders to be added to § 4,2 as far as the composition of state and municipal bodies was concerned (Holli and Kantola 2005: 74; Raevaara 2005: 73). For instance, the 1992 Commission chaired by the former Gender Equality Ombudsman Nikula (now a Green Party MP) pointed out that ‘the will of the civil society in regard to women’s participation is not realized in public decision-making and policy preparation,’ referring here to the gender gaps between women’s share in democratically elected assemblies and the public bodies which were selected by other means (Commission of inquiry 1992: 9–10). References were also made to the need to include women’s potentially different interests, perspectives and expertise into policy preparation and decision-making in an egalitarian manner. The suggestion was welcomed by the women’s organizations as well as some trade unions and a few ministries, whereas the majority of ministries and all the employers’ organizations opposed the proposal (Ministry of Social Affairs and Health 1992). The current Gender Equality Ombudsman, Tuulikki Petäjaniemi, a former right-wing MP who had had a career in a central employers’ organization, also opposed numerical gender quotas, as she claimed that they might lead to weakening compliance with the Gender Equality Act at a more general level (ibid; Holli and Kantola 2005: 78; Raevaara 2005: 73).

When presenting a bill on the amendment of the Gender Equality Act in 1994, the right-wing government (1991–1995) led by Esko Aho (Centre Party) did not include numerical gender requirements in § 4,2. Instead, it preferred a looser formulation decreeing an ‘equitable’ representation of both genders in state and municipal organs without a set numerical requirement.<sup>7</sup> The government pointed out that its aim was to ensure that women and men should have an ‘equal opportunity’ to be recruited to state and municipal bodies ‘on the basis of their expertise’ and that the goal was to achieve a ‘balanced’ gender distribution by 1998 in all those bodies. The proposition also reiterated arguments concerning the beneficial impact of having more diverse perspectives and expertise to draw from in the activity of the targeted organs (Governmental proposition 90/1994: 11).

<sup>7</sup> These kinds of milder formulations and measures had been suggested by the working group set by the Ministry of Social Affairs and Health to prepare the government’s draft bill in 1993, and the parliamentary Committee for Labour Market Affairs in connection to reading the Governmental Report on the functioning of the Gender Equality Act in 1992–1993.

The solution not to apply stricter numerical requirements as proposed, for instance, by the two commissions of inquiry in the early 1990s, had caused conflicts already in the internal Cabinet meeting where two female ministers had formally dissented from the decision (Holli and Kantola 2005: 74; Raevaara 2005: 75). The controversy within the government over this issue became visible to outsiders as well when the bill was introduced to the parliament in May 1994. In her introductory speech accompanying the bill, the Minister for Gender Equality Affairs, Elisabeth Rehn (Swedish People's Party) told the parliamentary plenary that she personally supported specified numerical quotas and, in practice, urged the parliament to utilize its powers to change the bill in this respect (*ibid.*).

The women MPs within the parliament took Minister's Rehn's words to heart, and during the parliamentary process re-introduced numerical gender quotas to the bill. More concretely, this took place in the Parliamentary Standing Committee for Labour Market Affairs which scrutinized the bill. Instead of the government's milder formulation, the Standing Committee adopted MP Päivi Varpasuo's (National Coalition Party) law motion in which she proposed a 40 per cent numerical requirement to be added to the statute to be applied to state and municipal bodies (Law initiative 35/1994). MP Varpasuo's law initiative had been prepared with the explicit support of the Women MPs' Network in Parliament, an intra-party co-operation forum for women parliamentarians functioning since 1991 when Finland had reached a new world record in women's parliamentary representation (39% of MPs were women) (Holli and Kantola 2005: 75; Raevaara 2005: 75). Also 'femocrats' from various gender equality agencies had assisted the Women MPs' Network in the formulation of private members' alternative law motions (Raevaara 2005: 75). Moreover, the Standing Committee in charge included among its membership the Chair of the Council for Equality, MP Tuula Kuittinen (Centre Party), and one of the council members proper, MP Anneli Taina (National Coalition Party) who mobilized support in parliament for the proposal for the numerical quota (*ibid.*; Holli and Kantola 2005: 78; McBride and Mazur 2010: 108).

What occurred in the Standing Committee was that right-wing women MPs joined forces with both left-wing female and male MPs from the opposition parties to reach a winning majority when the committee set out to vote on the details of the bill for a new Gender Equality Act. With this majority coalition, the committee amended § 4,2 and included a mandatory 40 per cent representation of both genders to it. It must be observed that the activity of right-wing women MPs in this instance was very controversial as they actually worked to overturn their own government's proposal in the question of numerical gender quotas. A similar coalition of women from all parties and left-wing opposition men ensured the final policy success in the decisive plenary session which upheld the Standing Committee's proposal concerning gender quotas and rejected the government's milder proposal (Holli and Kantola 2005: 75, 77; Raevaara 2005: 75–6). In the

plenary vote all female Cabinet ministers voted for the gender quotas, and all male ministers against (Raevaara 2005: 76).

## The Implementation of Gender Quotas at the Local Level

The new Gender Equality Act came into force on 1 March 1995, and gender quotas were applied after the following municipal elections in autumn 1996. The first round of implementing quotas proved a success: the average proportion of women in municipal executive boards almost doubled, from 24 per cent in 1993 to 45 per cent in 1997. Women's share in municipal sectoral committees also increased considerably, from 35 per cent to 47 per cent (Holli et al. 2007: 41; Pikkala 1999: 476–478; see also Figure 23.1). The change in case of municipal committees was greatest in those committees which previously had been very male-dominated: in committees dealing with infrastructure, the proportion of women increased from 19 per cent to 44 per cent, in committees for economy and agriculture, from 22 per cent to 44 per cent (Holli et al. 2007: 42). The gender distribution of members in municipal executive bodies has remained basically at the same level since.

Average figures could, however, conceal great variation in compliance with the Quota Statute across the individual municipalities and their organs. However, there is no evidence of much non-compliance even at the outset stage. A study (Pikkala 1999; see also Pohjola 1997) encompassing all the municipalities found out that in 1997, 98.6 per cent of the municipal executive boards and 98 per cent of the municipal sectoral committees fulfilled the quota requirements. In 2001, three of the 432 (0.7%) municipal executive boards in Finland were reported to deviate from the requirements of the Gender Quota Statute (Pekola-Sjöblom 2003: 76).<sup>8</sup> In mid-2000s, a study of seven urban municipalities did not find evidence of non-compliance in their formal executive structures (Holli et al. 2007: 49–50). Since then, sporadic case studies performed by local newspapers or gender equality committees have not found problems in quota compliance either (e.g. Kaleva 19.07.2011).

Why was the implementation of the quotas so successful? In addition to the general law-abiding nature of Finnish people, we have to refer to the origins of the Gender Quota Statute which, together with the already existing municipal legislation, created the framework for the implementation. The numerical quota requirement was added to the law at the last minute in the parliament, which meant that there were no ameliorating circumstances, exceptions to the rule or even guiding principles for interpretation added to it. The law text stood alone, an absolute, and was to be implemented by the municipalities as such. Otherwise, they were

<sup>8</sup> The studies in question do not contain information as to whether the unlawful bodies stood until the end of the electoral period.

subject to legal repercussions provided by the Municipal Act (Law 365/1995; see also Heuru et al. 2011: 358–360) for selecting formally illegal executive bodies, that is, an illegal organ is to be dissolved and re-selected in accordance with the law. The Municipal Act additionally gives every local citizen a right to complain about the unlawful composition of municipal organs. This right had already been diligently applied for gender reasons in the 1980s, and complaints occupied courts and the Gender Equality Ombudsman after the introduction of formal quota legislation as well (see Parviainen 2006). The existing legal framework governing municipalities thus provided both sanctions and incentives for municipalities to implement the quotas in the intended manner. Interestingly, the Municipal Act's influence for the implementation of quotas had not been taken up in the legislative process<sup>9</sup> (Holti 2011: 146).

Nevertheless, the boundary between what should be considered an acceptable reason to deviate from the Gender Quota Statute and what should not, became frequently tested in municipal appointments of members to various bodies during the first decade of quota implementation. The Supreme Court of Administrative Justice, however, now interpreted the statute very strictly, with hardly any of the causes presented by the municipalities judged as sufficient to deviate from the law's letter (Nousiainen et al. 2013: 57; Parviainen 2006: 234–279), which, in time, lessened attempts to circumvent the quotas.

At the outset in 1996–2000, the implementation of quotas did not occur in practice very smoothly in municipalities, as the gender requirements tended often be at the outset 'forgotten' and were only implemented at the very last minute when it became apparent that the executive-level municipal organs would have an illegal composition (Holti et al. 2007: 65–67, 97–99). The problems were very much caused by the fact that gender requirements brought a new compulsory criterion to the internal procedures and mechanisms by which local party organizations selected their nominees to executive bodies. The actual decision-making concerning candidates to various executive seats takes place within and between local party organizations in the months after the municipal election and before the new municipal council's first meeting where it formally elects the members to the executive bodies. The parties are able then in advance to calculate the number of the posts they will receive in executive organs.

After the Gender Quota Statute came into force, the requirement of a sufficient number of women and a consequent gender-balanced organ could be achieved in either of two ways. The first alternative was that gender balance was reached within one's own party nominees to each single body. If every party did so, the outcome was a more or less gender-balanced executive organ. There were bound

<sup>9</sup> Some of the proponents of gender quotas may well have been aware of this legal implication, as many of the women MPs were active in municipal politics as well. The topic of implementing gender quotas in municipalities in practice and the way the amendment would interact with the Municipal Law, however, does not appear anywhere in the documents related to the policy process.

to be internal conflicts in the local party, however, if the gender composition of the party's councillor group was very skewed towards males—or if there were, for example, many senior, experienced male councillors who regarded the most prestigious posts as their own prerogative. The second way of reaching gender balance in executive organs required negotiations in advance with the other local party organizations. For example, a small local party with an all-male group of councillors either had to find non-councillor women among its ranks as nominees to its posts or to bargain in advance with the bigger parties for them to offer some 'extra' female candidates, or else there was a serious risk of 'tipping over' in the final composition of the municipal executive organ. It could also lead to hectic last-minute adjustments if the other local party organizations were not amenable to sudden changes in their chosen nominees (Holli et al. 2007: 51–58). It took the local party organizations several rounds of quota implementation to learn how to account for the gender requirements and develop new practices.

In the first decade of implementing quotas, there was also evident strong male opposition towards quotas. It often appeared in the form of denigrating female representatives in executive bodies whom the quota opponents saw as 'incompetent' and undeservedly chosen to their posts instead of 'competent men' (Holli et al. 2007: 87–112, 2006). A 2005 survey of 150 municipalities in continental Finland revealed a great gender gap in local-level party activists' opinions of quotas. Three-fourths (78%) of the female respondents viewed them positively, in contrast to only a third (36%) of the male respondents. Green party respondents were the most quota-friendly, whereas the National Coalition Party and the Centre Party supporters were the most critical (Parviainen 2006: 280–287). A similar gender gap was visible when respondents were asked whether the quota regulations should be abolished: more than a half (54%) of men thought so, but only a fifth (20%) of women (ibid: 301).

On a more positive note, already in the early 2000s there were signs that the Gender Quota Statute had begun to bring about a change of attitudes towards a situation where the quotas were accepted and taken for granted, them being 'a normal procedure' of municipal politics. As a consequence, some municipal actors had started questioning the skewed gender composition of municipal bodies outside the Quota Statute's area of application. Sometimes it led to a 'snowball effect' where similar criteria of gender balance were being voluntarily applied to them as well (Holli et al. 2007: 64–85; Holli 2011: 151–152).

## Conclusion

This chapter has described the birth, making and implementation of the Finnish Gender Quota Statute targeting municipal executive bodies as its area of application. The quota reform brought into being a long-sought societal good, equal representation of both genders in the executive branch of local government. The

programmatic policy success is combined with success over time, as there has been gender balance in the municipal executive organs ever since. However, the issue was at all times very controversial, as concrete methods for ameliorating gender imbalance, in particular quotas, were strongly resisted by influential interest groups and societal actors, including the representatives of municipalities. It was also this resistance and multiple attempts to circumvent the earlier milder regulations that gradually moved the feminist advocacy coalition towards resorting to 'big guns' in the form of support for a legal, mandatory gender quota and a consequent show of their joint cross-partisan power, making it a law.

Today, numerical gender quotas have been applied to municipal executive organs for 25 years, across six electoral periods. In the 2010s, the issue of municipal gender quotas was invisible in public debate, a silence that may bear witness to the consolidation and general acceptance of the measure over time. On the other hand, there have been ongoing developments which may slowly start eroding the effect of the quotas. For example, some municipalities began to adopt new selection criteria to their executive bodies which have made municipal councillors the sole eligible candidates. Such a formal decision can be a legally acceptable reason to deviate from the quota requirements. We should not forget either that since the introduction of the quotas, many rural municipalities have experienced a 'reversed' vertical gender hierarchy in municipal politics. That is, there are many fewer women there as elected councillors than in municipal executive bodies. It was also this reversed hierarchy and the over-representation of women, seen as undemocratic and unfair, which was targeted in the early 2000s by several right-wing MPs' initiatives for revising § 4,2 of the Gender Equality Act as far as municipal organs were concerned.

Despite the present-day embeddedness of gender quotas in local politics, the endurance of the policy is by nature precarious. Changes in political power can easily turn the tide back towards novel initiatives to eliminate the Gender Quota Statute's regulations re local-level executives. Added to typical Finnish convictions regarding an 'already achieved equality' with no structural gender bias existing anywhere in this particular country (e.g. [Holli 2003](#): 17–18; [Holli 2012](#)), public opinion could easily turn towards the idea that legal quotas are no longer necessary as similar gender balance in relevant bodies would prevail even without them. Notably, the idea of gender quotas being merely a temporary measure to be discarded as soon as people's attitudes and behaviour improved to a more egalitarian direction was prominent already in the 1994–1995 parliamentary debate on quotas ([Raevaara 2005](#): 178–179).

The municipal gender quota case cannot be regarded as typical or emblematic of Finnish national policymaking as such. As elsewhere, in Finland most laws and policies tend to be carefully designed, planned and prepared by the government, and they usually are also accepted by the legislature in the form the government has proposed, which was not the case here. Rather, the case concerning Finnish municipal quotas contributes to an understanding that not all successful policies



are by necessity government-driven, but there are several differing paths to policy success. Some of them are much more haphazard, driven by civil society or group concerns and can result in a beneficial outcome by a combination of fortuitous circumstances.

Should we, instead, regard the quota case from the viewpoint of women's movement interactions with the state, it appears partly a type-true example of the ways in which gender concerns were inserted into Finnish public policies in the latter half of the twentieth century, partly displaying some deviating characteristics. The typical pattern ran as follows: the government initially neglected to consider gender issues or women's movements' concerns in its policy plans for a specific field. They were then inserted into policy proposals by feminist actors during the different stages of the relatively open and accessible policy process, with gender equality agencies acting as intermediaries and linkages between women's organizations and the state (Holli 2003: 159–166, 2006; see also McBride and Mazur 2010). Elsewhere (Holli 2003, 2006) I have pointed out that Finnish women's movements tended to very successful in their policy demands.

Policy success was achieved when three criteria were met: (1) women's movements in the first place started to pay attention to a policy issue and mobilize around it in a context where the policy subsystem was relatively open and accessible, not, for example, a corporatist one; (2) they were relatively unified regarding policy solutions; and (3) the mobilization effort included left-wing women and their organizations. In the gender quota case, the necessary cohesiveness concerning policy solutions was reached by mid-1990s, when the earlier division between right-wing and left-wing women concerning the desirability of gender quotas had abated. Left-centre coalition governments were typically most amenable to Finnish women's movements' policy demands (Holli 2003, 2006). In the gender quota case, the policy was prepared under a right-wing government not amenable to quota demands, which led to an exceptionally late-stage intervention by feminist actors in 1994–1995. Hence, the prominent role played by right-wing women MPs and ministers during the final policy phase also stands out when compared with the more common policy pattern where left-wing women and their organizations took the central stage (Holli 2003, 2006). Notably, the particular tactics utilized by the actors in feminist partnerships were adjusted to the opportunities given by the specific policy context, and as such are not easily transferable to other political systems.

The core substance of the Finnish policy—gender quotas for public bodies—is nevertheless an idea that also can be well entertained in other countries as a means of more effectively tackling problems of vertical and horizontal gender segregation in various organs. Indeed, extending quota arrangements to other public bodies outside the legislature is what the feminist political theorist Anne Phillips (1995: 183) proposed a quarter of a century ago as a potential and appropriate future avenue to further feminist aims to promote gender equality in the political field in a more encompassing sense. However, as this article has indicated, such

measures are bound to meet with strong resistance from current power-holders, as they conflict with the ways in which political selection mechanisms are often based on sets of implicit informal criteria. There is a serious risk in the short term that those already well placed in the political playing-field, will lose in power. Notably, gender quotas may also profoundly transform such selection criteria. This is what some local-level activists considered to have occurred in Finnish local politics where the quotas had opened up ‘the black box’ of hidden criteria and made recruitment to executive bodies overall more transparent (see [Holli et al. 2007](#): 51–58). According to them, in addition to increased gender equality and a higher quality of decision-making and policy deliberations as more diverse perspectives were included, the changes in local party organizations’ unquestioned, often gender-biased practices of allocating seats were a significant legacy of gender quotas.

### Questions for discussion

1. Which arguments were utilized for and against gender quotas in the Finnish case?
2. What is your opinion of gender quotas as a remedy to inequalities? Which arguments speak for their adoption, which against it? Compare your viewpoints with other students.
3. Discuss which kinds of multimember public bodies there exist in your country at state/regional/local level (choose one of these levels) outside democratically elected assemblies. What is the gender distribution of members of these bodies? What are the criteria for appointing/selecting members to them? What would happen if there were a law decreeing a 40 per cent minimum of both genders to be applied to these bodies?
4. What kinds of opportunities did the actors in the Finnish feminist strategic partnerships have for influencing legislation? Discuss the similarities and differences in the political opportunity structures between Finland and your own country. By which means could proponents of gender equality affect legislation in your country?

### Links to online resources

Quotas for municipal executive bodies in Finland: Most of the information is scattered and only available in the national languages, but the following links can be useful:

Ministry of Social Affairs and Health: information about Finnish gender equality policy and links to the Gender Equality Act (also translated into English): <https://stm.fi/en/gender-equality/>.

<https://stm.fi/en/gender-equality/legislation/>.

Ombudsman for Equality: information about gender quotas:

<https://tasa-arvo.fi/en/quotas-and-the-equality-rule>

Quotas for municipal executive bodies in Norway:

The Government of Norway: interactive statistics on the implementation of gender quotas for local executive bodies:

<https://www.regjeringen.no/en/topics/kommuner-og-regioner/lokaldemokrati/women-in-local-politics-in-norway/id2605288/>.

Information about gender equality in local decision making in Finland and other European countries:

Statistics Finland: information about municipal elections and councillors by gender:

[https://www.stat.fi/til/kvaa/index\\_en.html/](https://www.stat.fi/til/kvaa/index_en.html/).

European Institute for Gender Equality (EIGE): Interactive statistics on regional and municipal assemblies (and mayors) by gender:

<https://eige.europa.eu/>.

Council of European Municipalities and Regions: information and policies concerning gender equality in regional and local level politics:

<https://www.ccre.org/activites/view/11/>.

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## Housing First

### Combatting Long-Term Homelessness in Finland

*Kirsi Juhila, Suvi Raitakari and Johanna Ranta*

#### A Finnish Twist to a Successful Model

This chapter focuses on the ambition to reduce long-term homelessness in Finland, and especially on the success story of this policy starting from 2007 onwards. Since then, the primary philosophy of combatting long-term homelessness has been based on the idea of Housing First ('HF' or 'the HF model'). Homelessness is a manifold phenomenon including, for example, arrangements where persons dwell in other people's homes due to lack of their own residence. Long-term homelessness is, however, understood more narrowly. According to the established Finnish definition, a long-term homeless person

has a significant social or a health problem, such as debt, substance abuse, or mental health problems, and whose homelessness has been prolonged or is in danger of being prolonged due to a lack of conventional housing solutions and appropriate support services. Homelessness is considered long-term if it has lasted for at least one year or if the individual has repeatedly experienced homelessness over the last three years. In cases of long-term homelessness, the emphasis is on the need for assistance and treatment—the length of time is of secondary importance. ([Homelessness in Finland 2020: Report 2021](#): 4)

The estimated number of long-term homeless people has decreased from approximately 3,500 to 1,000 between 2008 and 2020 ([Homelessness in Finland 2020: Report 2021](#): 9).

The origin of the idea of HF is commonly traced back to the 1990s, where the New York based organization 'Pathways to Housing' ('PH' or 'the PH model') pioneered it. The idea has since 'travelled' to Europe and has been internationally promoted as a successful initiative and evidence-based good practice in reducing unacceptable long-term, chronic homelessness. However, although the HF label has become a popular 'brand' among homelessness policymakers around the world, exact replications of the original PH model are rare ([Pleace et al. 2016](#): 430). Instead, HF services in different countries and contexts reflect the ideas, histories

and cultures of the services and people providing them, and thus total fidelity to the original PH is considered ‘neither necessary, nor indeed practical’ (Pleace and Bretherton 2013: 34). As we will show later in this chapter, the developers of the Finnish HF model have emphasized its unique formation process and features. According to the handbook *A Home of Your Own* (2017: 15) presenting the Finnish HF model, its principles are as follows:

1. *Housing enables independent lives.* The person who is homeless can go straight to living in a rental apartment without temporary arrangements. Health and social problems are addressed when housing is permanent and domestic peace is guaranteed. For some, the best model for independent living is an ordinary rental apartment, for others it is a supported housing unit where support is available around the clock.
2. *Respect of choice.* The client has the opportunity to choose from treatments and services. If the client does not want to completely give up intoxicants, they are not forced into doing so. Instead, a sufficient goal is to reduce the use of intoxicants and the harm caused by psychiatric symptoms so that the client will be able to live in their home. The services supporting recovery are constructed so that they respect the autonomy of the resident and strengthen their participation.
3. *Rehabilitation and empowerment of the resident.* Staff meet and treat the client as an equal. Interaction with the client aims at building trust and an atmosphere of communality, which help the client to rehabilitate and empower themselves on their own terms. The aim of dialogue and interaction is always to find solutions to the client’s situation together with them. This requires stripping away the employee’s position of power and adopting a new approach to work. The resident is consistently given positive feedback on even the smallest of everyday achievements.
4. *Integration into the community and society.* In Housing First work, the resident gets help to make their dwelling feel like a home. A home is a prerequisite for the resident being able to organise their own life and to feel involved in it and their environment. Having their own lease, for example, creates a feeling of permanence and thereby helps to feel connected to wider society. The resident is supported in keeping in contact with immediate networks such as their family. In supported housing units, systematic neighbourhood work is done with residents. (*A Home of Your Own* 2017: 15)

The Finnish HF model’s principles—its core philosophy’s emphasis on the meaning of and right to permanent housing, respect for client choice regarding both housing and services, harm reduction, empowerment and integration—strongly resemble other HF models implemented in Europe and North America (Pleace



et al. 2016: 431). The uniqueness of the Finnish HF model lies in how it was launched and how it has been implemented in practice since then.

In this chapter we demonstrate that HF policy in Finland performs well on all four assessment dimensions of the PPPE framework ((see Chapter 1, 'Introduction: Studying Successful Public Policy in the Nordic Countries' by de la Porte et al. in this volume), and cf. Compton and 't Hart 2019; Luetjens et al. 2019). In brief, it can be characterized as a *programmatic success* because the policy has real public value and beneficial social outcomes as it aims at ending long-term homelessness with a strategy based on the clear philosophy of change. Its *process success* is evident in the careful, innovative development work that created the base for the governmental programmes, integrating various stakeholders into the process, and providing adequate funding, administrative resources and realistic timelines. The marks of *political success* are that the HF model enjoys fairly large support in political parties, municipal administration and among grassroots professionals dealing with long-term homelessness and among homeless people themselves. Furthermore, the policy has *endured*: from its 2007 beginnings. It has been further developed and implemented consistently in governmental programmes in close collaboration with municipal level administration and grassroot-level actors.

We will describe the origins of this success and address possible signs of non-success of the Finnish HF model. We begin the story with the major turning point of the Finnish homelessness policy, and pay special attention to how it has been narrated and constructed in the research literature and policy papers. Following this, we concentrate on the contents of the four governmental programmes on homelessness (2008–2022). We then evaluate the level of success of the Finnish HF model and propose that depending on one's perspective, it can be assessed as either a full, resilient or conflicted success (cf. McConnell 2010).

## A Turning Point in Homelessness Policy

In contemporary Western societies, homelessness has become widely recognized as a social problem that needs to be tackled and solved. Reducing and ending homelessness have become governmental policy objectives, especially in the Nordic welfare states. Current commitments and approaches arose out of dissatisfaction and criticism with earlier ways to govern homelessness and observation of the great number of homeless people as unacceptable and inhuman. The history of combatting homelessness in Finland after the Second World War includes creating and increasing social housing production to safeguard affordable homes and building low-level emergency shelters for people suffering from rough sleeping (Malinen 2018). In the 1960s, the dominant offerings of the era such as psychiatric hospitals were criticized as dehumanizing 'total institutions' (cf. Goffman 1961). Simultaneously, critics also rallied against the bad quality of emergency shelters for

homeless people. A civic movement (the 'November movement') came into being advocating everyone's right to personal life and home-like housing (Fredriksson 2018a).

On the wings of this call for change, the Finnish understanding of homelessness changed radically in the 1970s and the 1980s. It was no longer attributed to homeless people's personal choices and problems but also to supply-side problems, such as deficiencies in housing policy. Psychiatric patients, people suffering from substance abuse problems, former prisoners, and emergency shelter residents and their situations were gradually seen as housing issues needing targeted housing policy level solutions (Fredriksson 2018c).

The Finnish government stepped up its commitment to ending homelessness during 1987, which was declared the International Year of Shelter for the Homeless 1987 by the United Nations (Kärkkäinen and Puttonen 2018: 105). It became an official policy goal and a fixture in Finnish government programmes, with the right to housing becoming enshrined in Finnish legislation. According to the Constitution (731/1999, section 19), 'those who cannot obtain the means necessary for a life of dignity have the right to receive indispensable subsistence and care', and 'the public authorities shall promote the right of everyone to housing and the opportunity to arrange their own housing'.

Notwithstanding the strong political commitment, the everyday working practices of tackling homelessness attracted increasing criticism, mostly because of the failure to reduce long-term homelessness. Additionally, shelters accommodating homeless people in vulnerable positions on a fixed-term basis offered their inhabitants no privacy, and the rental agreements for these places were seen as humiliating, expensive, compounding psychological damage to people living in them and creating risks to social cohesion (Pleace et al. 2016: 427). Furthermore, the prerequisite that homeless persons should progress in recovering from alcohol and substance abuse dependencies before proceeding from shelters to independent housing was regarded as being too demanding. This kind of conditionality was also seen as violating homeless people's right to own housing. It became referred to disparagingly as the 'staircase model' and was heavily criticized in the Nordic countries (e.g. Juhila 1992; Löfstrand 2005; Sahlin 2005).

As Finland was struggling to find effective ways of combatting long-term homelessness, in 1992, a non-profit corporation called 'The Pathways to Housing' (PH) was set up in New York. This organization and its originator and leader, Sam Tsemberis, are widely recognized as the creators of the original HF model, which became credited with better results than any of the existing approaches. HF soon gained much interest both within and beyond the United States, and its adaption as a principle in homelessness policy has been discussed and promoted in many European countries since the mid-2000s. The important catalyst for this adaption has been 'The European Federation of National Organisations Working with

the Homeless' (FEANTSA). Its mission is to fight against homelessness and promote the right to housing as the most basic human right ensuring human dignity, and the organization has produced a typology of homelessness and housing exclusion (ETHOS) to be applied in addressing homelessness as a specific problem in national strategies (e.g. [de la Porte 2014](#)). FEANTSA do advocacy work in the European Union, whose approach in tackling homelessness is highly compatible with FEANTSA's mission and definition.

FEANTSA has also offered a forum whereby HF initiatives in different countries have been widely presented and discussed during the last ten years. Their webpage ([The European Federation of National Organizations Working with the Homeless 2021](#)) includes over 100 entries concerning HF. As a part of FEANTSA, 'The Housing First Europe (HFE) Hub' (2021) offers a European platform aiming to develop HF and promote its uptake across Europe. FEANTSA also publishes the international journal, the *European Journal of Homelessness*, with numerous articles focusing on and discussing HF ideas and initiatives (e.g. [Atherton et al. 2008](#); [Benjaminsen 2013](#); [Busch-Geertsema 2012](#); [Hansen Löffstrand and Juhila 2012](#); [Knutagård and Kristiansen 2013](#); [Raitakari and Juhila 2015](#)). The Finnish Y-foundation, whose mission is to offer rental homes for people experiencing homelessness and those who are under a threat of becoming homeless, defines itself as a key national developer of HF ([Y-Foundation 2021](#)) and has been an active partner in establishing the HFE Hub. The Finnish HF model has also been featured in the journal's articles (e.g. [Meriluoto 2018](#); [Pleace 2017](#); [Ranta 2019](#); [Tainio and Fredriksson 2009](#)).

Thus, HF has become a travelling policy idea—a transnational policy model domesticated in many countries and contexts, especially in Canada, United States and EU countries (on domestication, see [Alasuutari 2009](#)). Its success can be partly explained by the persuasive rhetoric of the key proponents of PH, who present the model as an indisputable and revolutionary turning point in homelessness policy and practices. The new model was presented as contrasting markedly with the prevailing treatment first or staircase model that emphasized step-by-step conditionality by specifying prerequisites for having permanent housing, such as 'housing readiness', sobriety or signs of recovery from serious mental health problems (e.g. [Padgett et al. 2016](#); [Tsemberis 2010](#)). Instead of this conditionality, HF advocates everyone's right to immediate access to independent housing, harm reduction, flexible, and non-judgmental service delivery based on active but non-coercive recovery orientation and argues that it is up to homeless people themselves to decide whether they wish to have supported services and treatment or not ([Pleace et al. 2016](#): 430; [Tsemberis 2010](#); [Kettunen 2013](#)). However, HF's rhetorical strategy of contrasting the 'good' new model with the 'bad' old model has not always been mindful of those grassroot-level workers who had long embraced the same principles in their day-to-day work among homeless people that PH now presented as totally new.

The claim for the HF model's superior performance has been strengthened with research evidence published in peer-review journals especially comprising randomized controlled trials but also qualitative studies on the experiences of the service users, demonstrating the superiority of the HF model in comparison to the earlier model (Hansen Löffstrand and Juhila 2017; Raitakari and Juhila 2015). Several researchers have expressed caution regarding the strong assertions of HF's effectiveness, noting that PH-related actors have been involved in many of the studies that demonstrate HF's effectiveness and that several of those studies contain skewed comparative designs. However, a main overview of extant research concluded that evidence of the good results of HF in different contexts and countries was mounting (Pleace and Bretherton 2013: 35).

Although it became known under the banner of HF, the Finnish approach has been argued to have developed independently: 'The Finnish Housing First model was born around the same time, but separately from the Pathways Housing First movement that started in the United States' (A Home of Your Own 2017: 14). The story of the Finnish HF model has been narrated in the book *From a Shelter to My Own Home: Transformation of Finnish Homelessness Policy* (Fredriksson 2018d), which introduces the key persons in developing the Finnish homelessness policy after the Second World War (cf. Ranta 2019), and on the webpages of HF (Asunto ensin 2021) and the Y-Foundation (Y-Foundation 2021). The HF pioneers in Finland have become quite adept at narrating the 2007 policy change as a success story they have invented and accomplished. That account is continuously retold and affirmed at seminars and conferences, evaluations and national and international newspaper articles.

The Finnish HF success story is presented as the achievement of certain agents of change and their enthusiastic pioneering work. Without underestimating the major contributions made by these pioneering individuals, it should be underlined that putting the HF model into practice has demanded a network of hundreds of committed actors both at national and municipal levels of government and across a wide array of non-governmental organizations. Furthermore, as already mentioned, some of these actors had shared and implemented the ethos and practices that later became branded as the HF model at grassroot levels a long time before it was modelled and launched 'officially'.

The first character that is usually mentioned in the story is Jan Vapaavuori, who acted as a Minister of Housing in 2007–2011 and took on his agenda to run down shelters and to develop new solutions to the problem of long-term homelessness despite possible resistance of various stakeholders (Fredriksson 2018b). Two men, Juha Kaakinen and Peter Fredriksson, allegedly convinced him that something needed to be done to address the unacceptable problem of long-term homelessness which had been escalating, especially in Helsinki (Lassy 2018). Juha Kaakinen had in his early career been responsible for the homelessness work in Helsinki, then went on to lead the first two governmental programmes to reduce long-term

homelessness (PAAVO I and II), and ended up as the chief executive officer of the Y-Foundation. Peter Fredriksson was the investigator of the Finnish Government's housing policy in 1999, and after that, he worked as an expert in the Ministry of Environment and edited the widely noted 2018 volume *From a Shelter to My Own Home: Transformation of Finnish Homelessness Policy*.

A critical juncture is said to have occurred in 2007, when Jan Vapaavuori appointed a group of four men, later referred to as the 'four wise men', to create a basis for a new long-term homelessness policy. The group included Paavo Voutilainen (Director of Social Services in Helsinki), Hannu Puttonen (the Chief Executive Officer of the Y-Foundation at the time), Ilkka Taipale (Ph.D. specialist in men's homelessness, civil activist, and former politician), and Eero Huovinen (Bishop of Helsinki). Juha Kaakinen acted as a secretary of the group with Anu Haapanen. The group submitted a report titled *Name on the Door (Nimi ovelsa)* to Jan Vapaavuori. The report was the first introduction of HF in Finland. The group concluded that ending homelessness 'requires adopting the Housing First principle, where a person does not have to first change their life around in order to earn the basic right to housing. Instead, housing is the prerequisite that allows other problems to be solved' (*A Home of Your Own 2017*: 9; *Nimi ovelsa 2007*: 13). The report was well received by the government and led to the adoption of the series of HF-inspired programmes to reduce and end long-term homelessness in Finland.

### **Four Homelessness Programmes (2008–2022)**

After submitting the 'Name on the Door' report (2007), the next phase in the success story focuses on Minister Jan Vapaavuori's zealous commitment to the HF model's content and premises. According to Peter Fredriksson (2018b: 140), he started immediately after publishing the report to organize long-lasting governmental funding for housing and related support services, which was crucial in making the HF model true in Finland. In 2008 the Finnish government launched 'The programme to reduce long-term homelessness PAAVO I' (2008–2011). This national programme started a series of four governmental programmes administered by the Ministry of Environment that are all grounded on the idea of HF. Each programme has continued reducing and ending long-term homelessness by learning from the previous national programmes.

In addition to being described in final self-assessing reports by the programmes themselves (Kaakinen 2012; Karppinen and Fredriksson 2016; Karppinen 2020), the three projects completed to date have been thoroughly reviewed externally with their strengths and weaknesses in published documents (Pitkänen et al. 2019; Pleace et al. 2015). The evaluations include extensive international reviews of the first two programmes, whose authors are well-known homelessness researchers specialized in HF (Busch-Geertsema 2010; Pleace et al. 2015). The summary

evaluation of all three programmes before starting the fourth one in 2020 is also comprehensive, performed by authors with long experience in homelessness work and research (Pitkänen et al. 2019). This disciplined iterative process based on continuous assessment has played a key role in the plausibility and the appeal of HF policy in Finland.

Strong, long-term government commitment, funding and guidance make the story of Finnish HF distinctive compared with that of many other European countries, where the model's momentum has been more humble and precarious (e.g. Pleace 2017). The process has continued across well over 10 years, even as the government's composition has changed. This is partly because there have always been parties from the previous government in changed compositions who have already committed to advance the HF policy. This kind of policy continuity across governments of different complexions is a fairly common occurrence in the centrist and consensual culture of the Finnish political system (Saukkonen 2012).

Besides strong governmental support, the idea of HF is widely regarded and accepted as a good policy and practice among local developers and social and health care practitioners in municipalities. Besides the successful promotion work of core agents presented in the previous section and the good results of HF practices, perhaps the most crucial reason for the wide acceptance and consensus is that the responsibilities for running various HF programmes have been integrated into the major administrative bodies from the state down to the municipalities (e.g. agreements between the state and cities) (Pleace et al. 2016: 427).

The contents and aims of the four programmes can be captured best in their own words.

*The programme to reduce long-term homelessness PAAVO I (2008–2011).* The core aim of Paavo 1 was to tackle long-term homelessness and to improve prevention of homelessness. The target was to halve long-term homelessness by year 2011 by creating sustainable and permanent solutions. The programme was designed to deliver at least 1,250 new dwellings and supported housing places for long-term homeless people in the 10 participating cities. A key target was to cease using shared shelters and to replace them with housing units with permanent tenancies. Preventive measures, such as housing advice and the national project on supported youth housing were also included in the PAAVO 1 programme. (Pleace et al. 2015: 17; see also Kaakinen 2012: 3)

*The programme to reduce long-term homelessness PAAVO II (2012–2015).* Elimination of long-term homelessness by 2015, reduction of the risk of long-term homelessness by making the use of social housing rental stock more efficient, and creation of more effective measures for preventing homelessness. (Pleace et al. 2015: 20)

*The action plan for preventing homelessness in Finland AUNE (2016–2019).* The goal of the action plan was to link the work on homelessness more extensively to

the whole of the work on preventing social exclusion based on the Housing First principle. In practice, this means ensuring that housing is secured whenever the client is met in the service system. The target group of the programme includes people who have recently become homeless and those who have been homeless for longer periods, as well as people at risk of becoming homeless, such as young people or families overburdened by debt or at risk of eviction, some of the young people leaving their childhood home for independent life, people undergoing mental health rehabilitation and substance abuse rehabilitation, clients transitioning from institutions to independent living, child welfare after-care service clients, and some of the young people whose child welfare after-care ends when they become 21, asylum seekers who have received a residence permit but have failed to integrate, as well as homeless released prisoners or prisoners going on parole. (Action plan for preventing homelessness in Finland 2016)

*Cooperation programme to halve homelessness (2020–2022).* The key objective is to strengthen the homelessness work of local authorities through the use and development of social services by allocating more affordable housing for people at risk of homelessness. This will be achieved when municipalities set up cooperation networks at local level and homelessness work will be established as part of the core activities of municipalities. (Ministry of Environment 2021)

In the first two programmes, the main emphasis was on creating permanent housing tenancies for long-term homeless people and getting rid of fixed-term housing solutions, especially shelters. This emphasis was accompanied by the aim of preventing homelessness. In addition to macro-level efforts to increase affordable housing and to run down shelters, the third programme AUNE, put more emphasis on encountering homeless people and people at risk of losing their homes personally in the service system. Developing targeted so-called housing social work (Granfelt 2015) was seen as particularly important in preventing homelessness. The programme also listed the categories of people (target groups) with whom this work should be strengthened.

The fourth programme is ongoing at the time of writing. It aims to establish HF as the basic principle of homelessness work across the country, embedded in municipal governments' efforts. The programme emphasizes cooperation between different municipalities. Its 2020 implementation plan titled *Housing First 2.0: Let's do jointly a possibility for everyone* was produced in a change laboratory process (cf. Engeström et al. 1996) encompassing many key actors doing homelessness work in large Finnish cities and non-governmental organizations (Asunto ensin 2.0). It calls for better integration of substance abuse, mental health, and housing services alongside a low-threshold approach in reducing and preventing homelessness and encountering homeless people and people at risk of becoming

homeless. For example, outreach work and integrated work based on home visiting are presented as good HF practices.

The programmes have also been accompanied by separately financed research-oriented developmental projects and academic research projects that have supported and evaluated the accomplishments of the programmes and produced empirically based knowledge for further developing them. The Name on the Door project (2010–2012), funded by the Finnish Funding Agency for Technology and Innovation (nowadays Business Finland), created HF-based services, constructed a network among key HF actors in big cities and NGOs, collaborated with a PH organization in New York, and produced the first website for HF in Finland ([Asunto ensin 2021](#)). The above-mentioned change laboratory ‘Learning and agency across sectors and levels to eradicate homelessness’ led by Annalisa Sannino has been partly funded by the Finnish Work Environmental Fund. As part of The Future of Housing and Living Programme, the Academy of Finland funded a 2011–2015 research project entitled ‘Long-Term Homelessness and Finnish adaptations of the ‘Housing First’ model, led by Kirsi Juhila.

Besides these large projects, there is an increasing number of individual researchers’ publications concerning the Finnish HF model. One noteworthy example is Riitta Granfelt’s research on housing social work among people with a criminal background and homeless women’s vulnerable situations, which has been particularly significant in the Finnish HF context (e.g. [Granfelt 2014, 2015, 2020](#)). She also participated in the international review work of both PAAVO programmes ([Pleace et al. 2015](#)).

To conclude, HF has been established as the core idea in the Finnish long-term homelessness policy during the four programmes and with these programmes. The research of HF has also played its part in this establishment process. The process started from the governmental level, and via the programmes it has been implemented in municipalities and adopted as a key principle in many public and non-governmental services doing work with homeless people. Although the process has been administratively led by changing governments, the criticism about the previously prevalent staircase model had been for a long time a substantial catalyst for change both at grassroots level homelessness work and among researchers. It can be argued that the pioneer agents of HF in Finland (see previous section) channelled this criticism and managed to convince the governmental actors, especially the Minister of Housing Jan Vapaavuori at the time, of the need for a new approach in long-term homelessness policy and practice. In 2021, the Ministry of Environment (2021) declared absolute commitment to HF by listing five principles and solutions to homelessness:

- Name on the door. A basic human need for privacy, a place of your own, a home. A rental contract of your own (not a second-hand contract or temporary social contract).



- Permanent housing allows other problems to be solved. Abstaining from drinking is not a requirement for permanent housing.
- Separation of housing and services. Individually tailored services based on an assessment of needs.
- Solutions to homelessness cannot be temporary.
- Conventional shelters and dormitory-type hostels are no longer adequate responses to homelessness. Hostels will be converted into supported housing units.

Despite the broad and strong commitment to these principles across governments and service providers alongside homeless people themselves, the principles are not always easy to execute. Whether and how they are realized in practice determines the success of the HF policy in Finland, to which we now turn.

### A Policy Success?

The Finnish long-term homelessness policy relying on the principles of HF has been developed over a decade. During that time, it has been established as a largely shared and widely implemented way to reduce and prevent long-term homelessness in Finland. Thus, without a doubt, HF can be described as a policy success story. However, in addition to the complete success it has been argued to be, we also recognize elements of what [McConnell \(2010\)](#) refers to as 'resilient' and 'conflicted' success.

The political and programmatic success has made the HF model a general norm. The HF model in Finland can be characterized as a *total success* in the *political* sense, as there is no major opposition to it. It is supported by politicians, public servants, researchers, various professionals doing homelessness work and homeless people themselves. The explanation of this success is that the HF policy is grounded on the universal value of the human right and need for a decent, permanent home regardless of possible social and health problems or poverty. Opposition to HF policy can be dismissed as old-fashioned and violating human rights. Another explanation is that multiple actors at different levels were integrated and committed to carry out the governmental programmes by using, for example, financial incentives and information steering. From a critical point of view, it is possible to claim that making such a big difference between old and new homelessness policy is not always a fair way of telling the story, advocating housing as a human right and basic need has much longer than just 20 years' history in Finland. However, the HF success story benefits become stronger when this difference is underlined ([Hansen Löffstrand and Juhila 2017](#)).

The credit for achieving these extraordinary levels of political support goes foremost to the pioneers and promoters of HF in Finland and the comprehensive development work and its presentation, evaluation and documentation in

various forums. Since the beginning of the PAAVO I programme, the website 'Asunto ensin' (Housing First) has gathered and communicated information on homelessness and the ongoing programmes in general, and on the research of HF (Asunto ensin 2021). Furthermore, the Y-Foundation informs and discusses HF thoroughly on its website (Y-Foundation 2021). These reports and reviews on long-term homelessness programmes offer much information and evaluation knowledge as well. Furthermore, the Finnish HF model has also received much attention and recognition internationally, especially in Europe. Hannele Tainio and Peter Fredriksson (2009)'s account of the birth and uptake of Finnish HF policy in the *European Journal of Homelessness* can be regarded as the beginning of the international interest the 'Finnish approach' soon began to elicit. Another important text increasing international interest was the review of the first two long-term homelessness programmes written by Nicolas Pleace, Dennis Culhane, Riitta Granfelt and Marcus Knutagård (2015; see also Pleace et al. 2016). The growing positive international reputation increased the interest and enquiries about the Finnish way of tackling long-term homelessness. This resulted in the handbook-style *A Home of Your Own* (2017), published by the Y-Foundation. In a positive feedback cycle, this growing international recognition and the availability of its own 'bible' in the form of the handbook have further strengthened the support of the story of the HF model in Finland. It has been framed as a national achievement that Finns can be proud of.

In addition to its strong ideational, political success the Finnish HF model also yielded *programmatic* success in implementation. In their review, Pleace et al. (2015: 17–8) write that among the most important achievements of PAAVO I is the 'conversion of homelessness shelters to Housing First units' and accompanied professional developments based on harm reduction and communality. The conversion process 'reduced long-term homelessness by 28% between 2008 and 2011' and offered permanent, own homes—names on the doors—for homeless people. This positive trend continued after 2011, as long-term homelessness reduced to one-third by 2019 until it slightly increased again in 2020 (*Homelessness in Finland 2020: Report 2021*: 24).

Converting existing (shelter) buildings to congregate housing units with residents' permanent rental agreements make the Finnish HF model different in comparing the PH and to most other HF models in Europe. It has raised doubt about whether the Finnish HF model follows the core principles of HF that emphasize, among other things, scattered housing, and people's right to live in ordinary neighbourhoods (Pleace et al. 2016: 431–434). However, the advocates of the Finnish approach claim this original feature to be foremost a sign of success. Congregate housing units were also argued as a possible solution in a constraining position due to the tight housing market situation, especially in Helsinki.

Besides congregate housing units, the programmes, especially PAAVO II, have considerably increased the number of scattered housing alternatives. According to Pleace et al. (2015: 20), the scattered housing projects were complemented 'with

a strong social integration dimension,' and 'housing advice as well as co-operation with social and health care services' were developed during PAAVO II. Furthermore, the housing units strengthened community work in nearby neighbourhoods to reduce stigma related to the units and their residents (Pleace et al. 2015: 20).

In terms of *endurance assessment*, the Finnish HF policy has features of what McConnell (2010) refers to as a resilient success: the capacity of the policy to change and transform programme by programme when facing difficulties. Difficulties have not led to undermining the core principles of HF. Namely, they have not created such opposition that would question the model's basic idea. Indeed, the HF model's progress since 2008 can be seen as a sign of resilient success; each programme has been designed to solve the assessed deficiencies of the previous one. In assessing PAAVO I, PAAVO II, and AUNE, the reviewers pick up one serious difficulty; namely, the non-sufficient establishment of HF at the municipality level. However, the resiliency is present in their formulation in the sense that this difficulty is planned to be overcome during the following programme (Pitkänen et al. 2019, summary):

Based on the assessment, it appears that the prevention and eradication of homelessness are not sufficiently established in the activities of municipalities. With this in mind, the assessment proposes carrying out a national project to establish work on homelessness in municipalities during the new government term.

There are also minor signs of a *conflicted success* in the Finnish HF policy, in the form of several unwanted or even controversial results. Perhaps the most serious indicator that the model is less than fully effective in eradicating long-term homelessness remains the continued demand for emergency housing services and temporary accommodation in the large Finnish cities. Homeless people staying in these shelters often have difficulties getting a permanent tenancy and home due to the lack of affordable housing. Thus, they sometimes must stay in the shelters and wait for permanent housing for a long time, even years (Syrjälä 2022). This is controversial since the longer one needs to stay in temporary accommodation, the more these temporary sites become experienced like the old shelters that the HF policy wanted to discard. Additionally, there are still supported housing solutions that operate on the 'old conditionality', that is, prerequisites of abstinence, adherence, co-operation and recovery. This can also lead to the practices associated with the officially discarded staircase model: as there are many people waiting for a permanent home in the emergency housing services, the most 'housing ready' ones may be in a better position to get their own home. This risks excluding homeless people in the most vulnerable positions—people who are defined as incapable of making the right choices and having insufficient skills for living independently. To avoid this risk of 'creaming off' (Lipsky 1979), the last two programmes have

concentrated more on developing professional, supportive work, such as housing social work and women-specific work among the most vulnerable homeless people.

Related to these signs of conflicted success, the number of long-term homeless will not necessarily reduce in the future as it has since the turn of the millennium. Perhaps the 'low-hanging fruit' has been picked, and it is now the most elusive homelessness cases that remain. Moreover, for the first time in eight years, long-term homelessness increased slightly in three large Finnish cities in 2020 ([Homelessness in Finland 2020: Report 2021](#): 24). The reasons for the increase can be manifold, such as emerging new groups of long-term homelessness, social and financial consequences of COVID-19 and lack of affordable housing. Lack of affordable housing may even increase in the future, as many rental blocks of flats built in the 1970s need total renovation or are in danger of being demolished. The continuation of the success of the HF story requires that the setbacks in decreasing long-term homelessness can be explained as temporary phenomena and not as the outcome or failure of the HF policy.

## Conclusions

In this chapter, we have told the success story of the Finnish long-term homelessness policy, in which creating the HF model is constructed as an essential turning point and move forward. Our main task was to examine what made this policy change possible in a specific historical time. How did the HF model become the official truth and strategy in the battle against long-term homelessness? We argue that this kind of policy success requires a good brand and a clear idea that differs profoundly from the previous policy. The HF model got its strength partly from a strong contrast between the 'old' staircase model labelled unsuccessful (the enemy) and the new HF model that could overcome the deficiencies in the policy that had thus far prevailed in combatting long-term homelessness (the winner). Another important storyline in the success story is how the Finnish HF model is constructed compared with the other HF models in Europe and North America. Its domestication has thus not been straightforward. The model has been tailored in a distinctively Finnish way; it has been hailed as 'our model', an original Finnish invention that is worth marketing internationally. However, the success of the Finnish implementation of the HF model is partly explained by long-term homelessness not being such a massive social problem in Finland in the first place, certainly when compared to many other OECD countries.

A good story requires enthusiastic and powerful agents with good intentions and visions to overcome serious social problems, such as long-term homelessness, in society. In this chapter, we have named several agents who have been given the role of key pioneers in the Finnish HF story. However, no success story would

last over time if narrated and promoted only by a few great persons. There needs to be a network of dedicated people at different levels of society. The Finnish HF model is a real success story in the sense that although the HF-based long-term homelessness programmes were launched at the governmental level, big cities and non-governmental organizations were willing to implement them effectively. Furthermore, successful implementation would not have been possible without the commitment of the front-line professionals working with homeless people and with former homeless people who have got or been promised to get their own homes, thanks to the HF model.

Although having become a prevalent idea in the Finnish homelessness policy and practices, it would be too much to claim that the principles of HF are followed comprehensively by all Finnish welfare services in their encounters with homeless people. There may be differences, for example, between big and small municipalities and various service providers. Furthermore, practices related to the staircase model still often exist due to the lack of affordable housing or how homeless people are categorized and treated in the service systems according to their 'housing readiness'. Change in the homelessness policy also demands changes in the front-line working cultures, professional identities, and the expectations of homeless people themselves, which may happen more slowly than the declared policy. The HF model especially increases housing social work and other supportive home visit work done in former homeless people's homes. Encounters in private home spaces are challenging and demanding for both service users and professionals but can have a crucial role in preventing homelessness (Juhila et al. 2021; Ranta and Juhila 2020).

The greatest success of the Finnish HF model is that it put on the national agenda the most excluded and vulnerable citizens and called for respect for their rights and basic needs in housing. In that sense, it has 'delivered' on the advocacy for everyone's right to their own home that civil activists, service users, social work professionals and researchers have engaged in ever since the 1960s' critiques of 'total institutions'. The four government programmes have been crucial in enshrining this human rights principle. Time will tell if more such programmes will be required to maintain the normative power it has achieved.

### Questions for discussion

1. What are the key ideas of the Finnish HF model?
2. What are the key features of the success of the Finnish HF model and what kind of criticism can be levelled against it?
3. What are the most important consequences of the Finnish HF model from the point of homeless people themselves and people working with them?
4. What lessons can be learned from the Finnish HF model in combatting other difficult social problems or long-term homelessness in different countries?

## Links to online resources

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