RETHINKING SOCIAL RISK IN THE NORDICS

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In the European public policy debates the Nordic countries are often praised for having successfully adapted their labour market institutions and welfare states to the era of globalisation while maintaining a high degree of social cohesion. The Research Institute of the Finnish Economy (ETLA) study The Nordic Model – Embracing globalization and sharing risks (2007) is a classic case of this literature. The study emphasised that the Nordic countries have clearly benefitted from the globalisation that has led to productivity growth and rising income levels. On the other hand, the Nordic welfare state and labour market institutions have provided protection against the risks associated with economic openness, such as industrial restructuring. Economic openness is seen to require the collective risk-sharing. Therefore it has been possible for the Nordics to embrace both globalisation and the welfare state.

The ETLA study underlines that the Nordics must make reforms in order to hold their ground in the global competition and to counteract the demographic change. These reforms include the decentralisation of the wage setting processes, a re-definition of the core competencies of the welfare state and the strengthening of economic incentives to work. Overall, the main focus is to guarantee the competitiveness and fiscal sustainability of the Nordic model in the changing environment. These kinds of analyses tend to pay less attention to the question whether the Nordic collective risk-sharing institutions are in fact efficiently protecting the people from different social risks that they face in this new environment. Moreover, the notion of `Nordic model` tends to emphasise the historical continuity of the institutions of social risk sharing and the similarities between Nordic countries. But have politics of
social risk and collective risk-sharing in fact changed over the years? Have different countries opted for different reform paths? Is there anything that can be called a Nordic model today?

The Foundation for European Progressive Studies (FEPS) started the *Nordic Economies after the Crisis project* in 2010 with the support of the Finnish Kalevi Sorsa Foundation, Friedrich Ebert Stiftung, Joint Committee of the Nordic Social Democratic Labour Movement (SAMAK), Economic Council of the Labour Movement in Denmark and Swedish Arbetarrörelsens Tankesmedja. The seminars in Stockholm and in Helsinki strengthened the idea that rethinking and looking at the politics of social risk in the Nordic context might open new perspectives for the European debate concerning the much discussed Nordic economic and social model. This is the reason why the project started working with this edited volume. Overall, I think that the volume offers many new insights to the development in the Nordics, ranging from pension policy in Finland and Sweden to economic and social costs of school dropouts in Denmark.

On behalf of the partnering organisations of the Nordic Economies after the Crisis project I would like to thank the authors of the volume for their valuable contributions. Most of all many thanks to Dr. Ville-Pekka Sorsa whose dedication to the project has made this volume possible. Finally, I would like to thank FEPS, FES and the Nordic partners of the Nordic Economies after the Crisis project for support and therefore promoting European debate on the Nordic economic and social development.

Helsinki, 13 November 2011

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Social risks are present everywhere in our everyday lives. Most people in the developed countries think about the risk of losing their jobs or sufficient sources of income in a way or another at some point of their lives. Parents often think about social risks related to the future of their children – will they get a decent education and land a meaningful job, can they stay healthy throughout their lives, will they be able to raise a family and so forth. Politicians are happy to talk about social risks like unemployment and education because they are important topics for the vast majority of their voters. Businessmen from insurance sector to the financial sector are specialised in creating and marketing products with which people should be able to mitigate the risks. The media, social scientists, businesses, public servants and ordinary citizens alike have witnessed the devastating effects of the dozens of international financial crises during the last century or so.

Some social scientist have argued that the current social order can be best characterised with the notion of *world risk society* according to which risks of all levels from micro to macro and local to global are of central tenets of this order (Beck, 1999). Even though social risks are certainly broadly acknowledged, social risks are surprisingly rarely thought in political terms. It is, of course, quite easy to see that risks like unemployment or loss of ability to work include many direct political aspects. Unemployment may be sometimes generated politically or at least may seem to be the indirect result of some kind
political actions like deregulation of international competition policies. Central national policy tools like pension benefits and public services have much to do with helping to cope with materialised risks like the loss of working capacity. Sometimes policies may even help to prevent risks from materialising in the first place.

It is often forgotten, however, that even those risks that cannot be purely explained by political actions or fully tackled with national or international policies are in fact risks with social consequences. Although we do not necessarily think natural events like earthquakes, seemingly private events like family break-ups or simple everyday issues like trains being late as social risks, they all have social consequences that can be changed. Even if we cannot eliminate, prevent or effectively manage all risks, we can always at least in part reshape the social consequences any kinds of events will have. Social risks can thus always be politicised and are in nature essentially political.

The politics of social risk has been a central issue in modern national social and public policy from early professional and intellectual history to contemporary political and academic debates. It became a major issue of political interest internationally right from the early days of social risk management, starting with the labour protection schemes of the late 19th century Bismarckian Germany. More recently, politics of social risk has become so essential that modern welfare regimes have been classified according to policy approaches to social risk (perhaps most famously by Esping-Andersen, 1990). Yet if one had to pick one type of welfare regime in the world in which social risks have been so essential in public policy that one could not even explain the plain existence of the regime without addressing the politics of social risk, the choice would be clear. It is the Nordic welfare regimes.

The Nordic countries have been for long characterised by effective state-led social risk management regime based on the idea universalism, which means that social risk management is accessible equally by everyone on basis of either citizenship or residence. The model has made citizens and different groups of people equal in face of the risks generated by the society. The Nordic approach to maintaining a capitalist market economy has been to complement it with a high level of decommodification through active and all-encompassing social policy. In international comparison, the Nordic welfare states
have always topped the levels of decommodification in the overall population. The Nordic model has been more generally characterised by the elimination of social risks that can be eliminated, by the management of those risks that cannot be eliminated, and by the efforts to prevent those risks that cannot be effectively eliminated or managed from materialising.

This is how the story is usually told or at least the point from which the discussions on the Nordic model almost always start. Unfortunately, the story has major gaps and even flaws. Probably the one best recognised in the academic literature is the heterogeneity of Nordic countries. The Nordic countries are hardly isomorphic in their approaches to social risks today even though some loose family resemblance might still exist both in welfare institutions and in their post-expansionary developments (see e.g. Kautto et al., 1999; Kananen, 2011). Yet for example the Finnish politics of social risk have been somewhat different from the other Nordic countries from the start. The Finnish political initiatives have been lead equally much by the social partners (i.e. central labour market organisations) as by the state, and most social policies have been based on much more modest levels of prevention and mitigation of social risks than in other countries (e.g. Kangas, 2007). If we addressed all the politics of social risk in different countries – including the politics taking place at the private sector – it would probably get even more difficult to maintain the idea of Nordic model as a homogenous one.

The most pressing problem with the story is that it assumes that there is something that can be called “a model” with no reservations. Today neither in international comparison nor in any undisputed theoretical terms a distinct Nordic model exists (see Greve, 2011). The social success stories of Nordic countries are typically seen as products of some basic principles of the Nordic institutions (e.g. Becker, 2007). Yet it is questionable whether the social successes can be traced to any kinds of explicit political principles in the first place. It is rather a question concerning the institutions that produce the aspired outcomes, not just the key ideas or histories of such institutions. The Nordic institutions of social risks management have been anything by static – in fact, the Nordic countries have adapted to new and emerging social risks with very effective institutional changes in international comparison (see e.g. Armingeon & Bonoli, 2007). For instance the most famous ones, the
Danish flexicurity institutions have been a new and innovative way to tackle the changing social risks related to work in a small economy.

The idea of a distinct model has another theoretical deficiency, which is perhaps less often discussed and indeed the main topic of this book. Understanding the politics of social risk only as some specific principles embedded in some specific institutions provides a flawed picture on the actual politics of social risk. If politics are not regarded as contingent, politicised and institutionally varying processes of shaping and re-shaping societal institutions that generate, address and manage social risks, a misguided view on Nordic politics is guaranteed. As noted, it is often assumed that social risks are tackled effectively by the state. If we look only at the activities of the Nordic states on basis of this assumption, we may fail to grasp essential changes that effectively reshape the politics of social risk just because the change takes place somewhere else than we expect. As already mentioned, the Finnish politics have been more tripartite or social partner driven than state-led for the last half century. For another example, the Swedish regime is now increasingly based on the individuals’ capability to hedge against social risk than on the political actions by the state. Although national policy has much role in producing this situation, the politics or social risks are becoming as much driven by individual choice as by the state (see chapters by Lindgren and Belfrage in this volume).

Both the institutions that generate and shape social risks, and the political paradigms and processes addressing social risks are constantly changing in the Nordics. Furthermore, as it is argued in many chapters of this volume, the politics of social risk and the institutions addressing them always include a great variety of all kinds of contingencies, which shifts the focus on the more practical aspects of public policy addressing social risks. We should never assume theoretically that the Nordic approach to social risks is static, homogenous, consistent, coherent or effective. The key goal of this book is to show how societal and political changes in the Nordic countries have changed the politics of social risk and, perhaps even more importantly, how we could change the commonplace theoretical interpretations of the Nordic model given the political and institutional contingencies in these changes.
By providing tools for rethinking the politics of social risk in the Nordics we also wish to provide tools for re-politicising social risks. If there is something common to all chapters of this volume individually, it is the critique of the current politics of social risk in the Nordic countries. While the thematic areas of the critiques are perhaps familiar to most readers, the actual objects of the exercise may not perhaps be that familiar. By bringing fresh approaches to, themes in and objects of critique to one volume we hope to provide a somewhat comprehensive picture on the possible ways to re-invent the Nordic politics of social risk. Before going to the key agendas for re-politicisation and to the contents of individual chapters of this book and to the narrative they constitute more closely, it is necessary to provide some further insights to the politics of social risks in general and especially to that of Nordic countries in more particular.

**POLITICS OF SOCIAL RISK: SOME THEORETICAL FOUNDATIONS**

Social risks and their political underpinnings and histories have been discussed very extensively in academic literature (e.g. Kemshall, 2002; Armingeon & Bonoli, 2007; Taylor-Gooby & Zinn, 2006), which is why it is hardly beneficial to repeat these issues in length here. In contrast, the purpose of this section is to shed light over some basic political questions and dimensions of social risks. In order to enable the re-politicisation of social risks, some summarisation and elaboration of the academic literature is also needed. First, we have to briefly reflect upon the social nature of social risks.

In broad-brush terms, risks can be conceptualised in two interrelated ways: as risks of something and as risks to something. The former refers to an occurrence of an event and its “likeliness”. Put differently, we can say that there is a risk of something happening. For example financial risks are often conceptualised in these terms – and often in these terms only (see e.g. de Goede, 2004). Financial risk-taking is about investing in pursuit of profits, but can also mean that the invested capital is lost. Financial risk thus has positive (profit) and negative (loss) aspects. What makes risk distinct from uncertainty – events that cannot be anticipated – is that it has a probability of some kind. Risks are thus events that can be anticipated: they cannot per-
haps be too reliably predicted but their occurrence is a known fact or there can at least be solid theoretical explanations for why some events take place or may take place at some point in the future. This is the feature that makes risks something that can be controlled.

In the latter terms, as ‘risk to’, risk refers to an event that changes the expected trajectory of events. Among other things, this conceptualisation of risk is usually present in the risk management discourses. Most importantly, it is the way social risks are typically conceptualised in everyday life as well as academic literature (Kemshall, 2002). In the sense of risk as ‘risk of’, one can for example say that when one is employed there is always the risk of becoming unemployed. But this is not how risks are usually conceptualised. One more often tends to talk about personal injuries, illnesses or for example about economic downturns as risks to employment. In other words, it is typical to think about activities in life as some kind of standard trajectories that can be compromised by some events. Risk as ‘risk to’ addresses the meaning and significance of the events in relation to current state of affairs. It is in nature positive and often normative as well – risks are something that “damages” the expected trajectory of things.

What makes risks ‘social’, then? In simplest terms, social risks are events that concern the relationships between human beings. However, one should not understand social risks only as events between individuals because the society is equally much about relationships between organisations, groups and institutions. For example unemployment can a risk to more abstract level social status (e.g. through loss of income, stigmatisation of living “on the dole”) as well as to personal relationships (e.g. status within the family, ties amongst friends). Moreover, social risks cannot be necessarily reduced to individuals or their activities. Social risks can be risks whose objects are institutions. For example, an economic downturn can impose cost pressures to states via increasing social security costs and challenge businesses via decreasing demand for its products. In most general terms, social risks can be defined as events that change the relationships between or the social positions of different societal actors, structures and practices.

If we think social risks in these very broad terms, it is clear that the idea of politics of social risk refers to an equally broad field of affairs. The poli-
tics of social risk are as much about the social institutions, relationships and other social issues as they are about the possible events. Thus any single social institution or relationship can become essential in the politics of social risk. Moreover, if we define politics very broadly as polities, politicisation, politicking and policies in and through which all things can be decided to be done (or made, thought etc.) differently, we can find politics of social risk nearly everywhere. Indeed, the politics of social risk are everywhere. Some limitations are nevertheless needed in order to make the task of presenting the key issues manageable.

The limitation used in this book is rather straightforward: we are looking at only institutionalised social risks that can be addressed in public policy. The greatest benefit with this limitation is that it excludes the most demanding research objects, the politics in the non-disclosed private and micro-level interpersonal domains. The conception of politics is thus limited to only politics taking place in different public social spaces, for example in formal polities like international organisations, states and municipalities, which generate policies. It must be noted, however, that we are not limited to formal political systems. The idea of ‘public’ should be understood here very broadly. Besides formal public polities at all scales from micro-local to global and universal, the definition includes all informal polities that have public policy relevance, including publicly regulated organisations like firms, and political activities that are present visibly in the public discussion, including various kinds of non-governmental organisations and policy networks.

The definition also limits the conception of social risks to a manageable scale. There are two reasons for this. Firstly, it limits the notion of risk to only such risks that can be and are named, anticipated and acknowledged as such. Put differently, social risks are here regarded either as explicit events (‘risk of’) or as objects of these events (‘risk to’) that both have social consequences that can be anticipated. In this sense, social risks are all but pure uncertainties, unexpected events or deus ex machina type sudden external influences. All ‘external’ influences and unexpected events are transmitted to the local social realities through institutional logics that make consequences more recognisable and expected. Put differently, social risks are more endogenous than exogenous to local institutional orders. From the perspective of the society
at large, social risks produce changes that are incremental rather than trans-
formative even when changes are sudden.

Secondly, with the idea of addressing risks institutionally, it limits the
notion of ‘social’ only to somewhat stable and elastic social structures and
practices that are somewhat broadly shared in everyday life. Although in
the various chapters of this book we do not rely on very narrow definitions
of institutions but on much broader discursive or habitual definitions (see
Gronow, 2008, for review), we are nevertheless limited to discussing the social
risks that are diffused in the society at large – or, to institutions as archetypes
(see Leca & Naccache, 2006). By doing this, we are focusing only on formally
defined, broadly diffused and culturally legitimate institutions.

Given these limitations, we can define the politics of social risk as the
public shaping and framing of and decision-making over the broadly shared
elastic social roles, relationships and practices that are acknowledged to be
subject to events that change them. Although this definition is rather abstract,
it enables us to see that there are a number of practical issues that need to be
elaborated further. For example, what kinds of public spaces are there and who
are participating in reshaping social risks? What kinds of risks are present in
different social institutions? How do we come to acknowledge events that may
change the society? Although quite many ‘what’, ‘who’ and ‘how’ questions
remain at the general level, the public policy focus narrows down the political
analysis to a rather manageable set of questions. Next, we will present some
basic dimensions of the politics of social risk.

THE THREE POLITICAL DIMENSIONS OF SOCIAL RISK

It is argued here that there are three practical dimensions in the politics of
social risk conceptualised as discussed above. The first practical dimension of
politics of social risk is risk assessment. Any public policy that concerns social
risks has to define or at least to name the risks that are addressed in the policy
(in a way or another). Risk assessment is the key starting point in policy plan-
ning and formulation. Assessment is never politically neutral in policy formu-
lation. It is always possible to decide which issues are considered social risks
and which simply are not, and to define which elements or aspects of risk are
addressed and which are not. It is a matter of framing and political choice. The key political questions here are how the assessment of risks is organised, what sources are used in analysing risks and, indeed, who are entitled formally and informally to name and assess the risks that are supposedly present broadly in everyday life.

In practical terms, social risk assessment can be analytically approached from two directions according to the two conceptions of risk as ‘risk of’ and ‘risk to’. Although this political dimension may sometimes be more focused on risks as ‘risk of’ than everyday life thinking, it does not suggest that ‘risk to’ would be forgotten. When risk assessment starts from the ‘risk of’ perspective, it is about naming the possible occurrence of different events, and their likely social consequences. When assessment starts from the ‘risk to’ perspective, one first defines some aspired trajectory of human life or other developments, after which possible events that may compromise this trajectory are analysed in more detail. The ‘risk to’ perspective seems rather normative with the generation of trajectories, but the ‘risk of’ perspective is not a single bit less normative: it selects which events are considered negative and which are not.

It must be noted here that assessment at the macro-level policy formulation is hardly the best example of social risk assessment, which can take place at various different scales. Social work is a good example of highly professionalised risk assessment concerning micro-level personal relationships. There are at least three sets of risks that social workers assess according to the personal relationships of the service users, each set containing numerous risks that are not here discussed in more detail (see Parsloe, 1999, for review). The first set consists of risks that users face in their personal relationships, especially relationships with their relatives. Most often this refers to risks children face (e.g. abusive parents). The second set of risks consists of the behaviours (e.g. suicide, self-neglect) that service users may cause to themselves. The third set concerns risks that service users (e.g. the mentally ill, substance abusers) may cause for other actors, known or unknown. Social risks are always present in very complex networks of relationships and thus the accurate analysis of risks at any level is a great challenge. The more politicised or ideologically laden the aspirations concerning the assessment become, the more political this challenge becomes as well.
The second dimension is the distribution of social risk. In this context, distribution does not necessarily mean that some social risks are directly allocated to some people, organisations or institutions, which is not very often the case, but that public policy can shape the institutions through which different groups of people face social risks. If for example the market is seen as the primary institution through which people should face the risks in their economic life, it becomes essential to study how different market institutions distribute risks and to choose what kinds of markets are politically enforced. Indeed, in the simplest case, the politics are mostly about regulating possible events and their consequences in different institutions. The distribution of social risks refers to both the distribution of vulnerability to risks and to the access to mechanisms that shape social risks. The paramount political question in this dimension is the sharing of risks. The question is not only who shares what risks but also how the risks are shared – or, what the rationales for subjecting people to risks and of controlling access to risk management are.

Take for example employment. All employees share the risk of unemployment and are subject to same public policies but the employees of one corporation are very likely to face different kinds of risks than employees of another company operating in the same economy. The employees of one firm may have a very low risk of unemployment due to fine economic prospects and employee protection, while the employees of another live in great economic insecurity. In other words, the vulnerability to employment varies for the two groups. The employees in both firms may furthermore also have very different levels of access to unemployment funds. Thus the employees in different firms face different kinds of risk of unemployment as well. This means that the more both groups of employees are subject to social risks through the same institution – employment in labour markets regulated by employment contracts – the fewer common risks they are in fact facing.

Although it would be a harsh exaggeration to claim that all institutions can be redesigned to include different risks and to distribute risks differently, there is much political contingency in the ways in which institutions and actors are connected in the society. Esping-Andersen’s (1990, 1999) classic insight on welfare regime models is in part based on this idea: different models distribute risks through different institutions and each includes its own contingencies.
In the universalist model for example access to risk management is firmly tied to citizenship of individuals and in the corporatist model to the employment of the family bread-winner. In the former, the distribution of social risks is then politically more tied to the definition of citizenship and to national politics of public services and benefits, whereas in the latter the politics of social risk have much more to do with employment contracts and the policies concerning work at a very general level. The mechanisms for sharing risks can produce significant variation in the social risks as such.

The third dimension is the organisation of risk management. Although risk assessment and the access to risk management are always very important issues in policy design – and certainly of greatest importance in providing understanding on these politics – it is likely that this dimension is most common to debates on public policy discourses. The organisation of management affects a great variety of issues like the spatial and temporary limits of risks, the processes of materialisation or mutual dependencies between management mechanisms. For example national health services that tackle social risks of illness can be organised as public services that can address health risks according to citizens’ needs, or as service vouchers or public insurances with which citizens can obtain those private services available from the private sector. The management mechanism thus limits and reshapes the risk of illness, and affects the manifold social consequences the materialisation of the risk has.

Broadly speaking, management of social risk can refer to three different strategies in public policy. The first strategy is prevention. The goal here is to prevent social risks from materialising in the first place. Take for example employment. Prevention can for instance mean labour legislation (e.g. redundancy regulation) and education policies. The second strategy is mitigation, whose goal is to reshape the materialisation of the risk, and the third strategy coping, whose goal is to reshape the results of risks materialising. Unemployment can be for example managed with unemployment benefits that both mitigate the risk of unemployment by improving the capabilities to seek for work, and help to cope with the loss of income incurred by unemployment.

It is crucial to note here that these strategies should not be thought as models or paradigms of a policy regime, but only as strategies that concern
one or more risk management mechanisms. In order to talk about regimes, we need to include the politics of risk assessment and distribution in analysis. Even then, it is still impossible to talk about a regime. Regimes are based on some kinds of rationales that in fact connect the three political dimensions. We hold that it is quite unlikely that any kind of stable or even elastic political regimes of social risk can be found in the contemporary world. The reason for this is that the social risks are changing so fast in form and substance. True, many people around the world are likely to find the risk of unemployment significant in their everyday lives, but the meaning, consequences and causes of unemployment are everything but the same for different groups of people. Geographical and political variation certainly exists but we do not think it is necessary to try to analytically build any kinds of regimes out of this variation. We think it is more important to see what kinds of political paradigms there are in the making of the politics of social risk.

If risks are assessed only for individuals, distribution of vulnerability to risks and access to risk management organised only through markets, and risks managed only with mitigation strategies in one community, it is certain that social risks look different in another community where, in addition, risks are also assessed for households and collective organisations, distribution organised also through collective agreements and public services, and risks managed also preventively and by providing coping mechanisms. But this is not to say risks would look the same for each member of the community or that the differences between the two communities would be greater than differences within the communities. All in all, it is very difficult to talk about regimes when such differences are accounted, which shifts the research focus on more tangible issue of political paradigms.

THE NORDIC POLITICAL PARADIGMS OF SOCIAL RISK

We have above introduced some basic dimensions of politics of social risk. Given the topic of this book, it must be now asked: what are the Nordic politics of social risk like in each of the three dimensions, what kinds of paradigms can we find in the Nordic public policy-making, and how could we reconsider these paradigms?
Before answering this question, two things must be noted very briefly. Firstly, paradigms are not necessarily consistent or coherent – a political paradigm is a paradigm whether it works or functions or not, or whether it produces the aspired outcomes or not. Indeed, political paradigms can be based on ideology, compromises, domination, chance, negligence, ignorance and manipulation as much as on rational design and bargaining. Secondly, paradigms are not paradigms of national regimes. Indeed, it must be always asked whose political paradigms and paradigms of what are in fact looked at. In the following discussion, the focus may be on more long-term trends and broadly shared in the national public policy in different countries, but this is not to say that other paradigms would not exist or that these paradigms bind all actors in the Nordics.

It is beneficial to start the discussion on the Nordic political paradigms of social risk from the dimension of distribution, for the similar paradigm of distribution is probably the thing that combines all the Nordic countries most effectively. This political paradigm shared by all Nordic countries can be called a multi-pillar approach to the distribution of social risks. The stereotypical picture of the Nordic model states that the model is characterised by the universal benefits and systems sponsored and organised by the state, suggesting that all risks are primarily distributed through public institutions whose coverage is defined by either citizenship or residence. It is of course true that risks are still quite extensively distributed via these first-pillar institutions but they are not distributed only or even primarily through these institutions. In all the Nordic countries, there are significant second-pillar, employment contract based institutions like health care, pension and unemployment systems. Moreover, households and individuals are increasingly participating in the third-pillar private insurance and service markets in order to gain additional security in tackling social risks. (Kvist & Greve, 2011)

Of course, much variation remains between the countries in the relative weight of different institutions. Take for example pension systems (see e.g. NOSOSCO, 2008). Looking at the two most important sources of pension income for the last decade or so shows that the weight of pillars and their tiers – first tier refers to basic pensions and second tier to earnings-related pensions – varies significantly in each country. In Sweden, the primary pension
security comes from the combination of mandatory first pillar and occupational second pillar schemes. In Norway it comes from the both tiers of the mandatory first pillar scheme and from the mandatory occupational second pillar schemes. In Denmark, pensions come primarily from the two tiers of the mandatory first pillar scheme and the occupational second pillar schemes, albeit that the latter are only “quasi-mandatory”. In Finland, pensions come primarily the mandatory two tiers of the first pillar schemes and, in a lesser scale, from the third pillar private savings but the role of the second pillar is relatively small if not completely ignorable.

The multi-pillar approach is a very effective means of distribution when social risks are tackled because it enables access to various kinds of risk management mechanisms for a great majority of citizens. The downside of this approach is that it may prove hard to enhance equality both in terms of facing social risks as equals and of facing equal risks. People who have access to second-pillar arrangements are likely to have the access to third-pillar schemes as well, while people who rely on first-pillar safety nets may fall outside all other schemes. The approach is also prone to generate great risks of falling between different systems and thus of failing to get access to any risk management, and to create incentives to develop only one pillar instead of others. The latter may for instance meant that political parties have political incentives to primarily serve the needs of the middle classes as demonstrated by the recent politics of public services in Sweden (see Lindgren in this volume).

The political dimension of risk assessment can be in the Nordic case divided to the ‘who’ and the ‘how’ question. The paradigm of who assesses risks has changed rapidly during the last few decades in all Nordic countries. In the era of welfare expansion, risk assessment was made mostly in tripartite negotiations (e.g. Finnish incomes policy agreements, see Alaja in this volume) or in other alliances between political parties and central labour market organisations. Now, however, the trust towards social partners and any collective labour market actors in assessing general questions concerning individual and household welfare, social risks and other general themes has been seriously questioned – perhaps most seriously in the labour market flexibility-prized Denmark (see Jørgensen & Schulze, 2011). This has lead to a
political decentralisation of social risk assessment to individuals, markets and less central organisations and associations of different kinds.

Although risk assessment might be more fragmented than before and includes the risks of increasing inequality in access to risk management or ineffectiveness of risk management policies among things, the Nordic paradigm of social risk assessment is not any less comprehensive than before. On the contrary, the decentralised or fragmented approaches are likely to provide more comprehensive assessments. For example the governance of the Finnish mandatory earnings-related pension system includes dozens of development groups and co-operatives at different hierarchical levels of the scheme, which produces comprehensive assessments and thus a strong reform capacity (see Johanson & Sorsa, 2010). The problem with decentralised arrangements like policy networks is that they may weigh expertise over representation, deliberation and negotiation. Indeed, if the Nordic paradigm of risk assessment turns more expertise-based design than stakeholder experience-based negotiation, the erosion of trust towards centralised assessments may also imply the erosion of representation in risk assessment.

Because there is little conclusive empirical evidence on the increase power of expertise over representation, it is yet hard to say anything conclusive on this ‘who’ question. However, the high role of expertise is also related to the answer of the ‘how’ question. The mode of risk assessment in the Nordic public policy has been for long been characterised by rather professionalist conceptions of assessment. The assessment in formal policy development is usually divided to highly professionalised groups according to predefined thematic questions or fields of expertise. There has for example been a broad Nordic consensus of assessing social risks on a life cycle basis, meaning for example that social risks are discussed separately for children, the youth, adults and the elderly (e.g. OECD, 2007; see also Finnvedcn & Lindfors, 1996). While the advantages of this approach are clear, including effectiveness and comprehensiveness, the problem is that the overall picture of life course or the ‘good life’ that social risks compromise may become rather abstract and incoherent. Without political deliberation over the good life and public representation in assessment, the assessed social risks may remain abstract at best and at worst only a means for governing the masses without the goal of good life.
Perhaps the most characteristic issue in the political dimension of risk management in the Nordics has been to provide rather generous compensations for the materialisation of social risks for various groups of people. Indeed, although variation in compensations levels remains, there is much common in the Nordic strategies of helping to cope with social risks with for example extensive public services and multi-pillar unemployment benefits and pensions. How about other strategies of risks management? All countries have for long put very much weight on education policies in terms of risk prevention. Similarly, most countries have recently opted for increasing levels of flexibility in labour markets, thus putting less weight in regulation policies in mitigation. It can be argued more generally that there has been a shift towards workfare paradigms in and individualisation of risk management strategies with labour market integration policies and active labour market policies.

Again, it must be noted that individualisation or risk management does not mean that management would be any less comprehensive or effective. Some difficult issues like the risk of lone parenthood may be magnified as well as suppressed in this development. The main problem here is that contemporary modes of risk management produce strong dependencies. The increasing importance of the dependency on labour market is not the only one here. For example, one of the key developments in the Nordic as elsewhere in the developed world has been the financialisation of risk management. Nordic pension provision for instance is increasingly dependent on the performance of the international financial markets. Financial market dependency makes success dependent on financial literacy, which is neither an egalitarian approach nor one which makes sense confronted with highly complex financial markets (see Belfrage in this volume). Moreover, financial market dependency generates other dynamics as well, including for instance the possibility that risk management becomes pro-cyclical rather than counter-cyclical.

As noted, risk management is very much about reshaping social risks and thus a source for new contingencies and risks (see Sorsa & Roumpakis in this volume). It is hardly a surprise that the Nordic multi-pillar and multi-level approaches to the distribution of risks and risk assessment are reflected also in the mechanisms of risk management and in the risks they create. There are so many mechanisms that it is difficult to have any kind of comprehensive
understanding on them in public policy. It is especially difficult to address issues like the falling between systems, the overall levels of protection, all kinds of questions concerning equality, or even the consequences of institutional changes. This is perhaps the most pressing challenge in the Nordic politics of social risk. While there are strong expectations to address social risks in public policy, it is very difficult to see what kinds of social risks the current institutions in fact generate or how any aspired reforms might change them. This, again, helps to keep the debates over social risks primarily in professional hands, which makes the broad social expectations difficult to be translated into democratic politics.

RE-POLITICISING SOCIAL RISK IN THE NORDICS

The politics of social risk in the Nordic countries have been at their best characterised by highly professional but representative risk assessments, by genuine multi-pillar approaches to the distribution of risks, and by extensive and egalitarian compensation strategies and effective regulation-based prevention strategies in risk management. Even despite their problems and inconsistencies discussed above, these paradigms have helped to make social risks relatively effectively mitigated and relatively equally distributed. Indeed, when international welfare and well-being comparisons and rankings are made, the Nordic countries nearly always seem to be playing in their own league. Yet when it comes to the politics social risk, the Nordics hardly play in their own league – they are subject to the same political and institutional pressures as much as any other group of European countries. The social risks have been for example magnified by transferring them to the systemic level, and are increasingly becoming assessed by individuals with low capabilities to do it, distributed through imperfect markets and managed only by mitigating them mildly.

In most general terms, the transformation is related to the transition from the Keynesian Welfare Nation-States to the Schumpeterian Workfare Post-National Regimes as best described by Jessop (2002). The idea of competition state has indeed become central in the Nordics. National competitiveness is considered the primary economic risk: if the states cannot compete successfully over production and productive labour, they risk all economic
success altogether. Open competition has implied increasing vulnerability to the global financial system and to the production and distribution strategies of multinational corporations. Moreover, the Schumpeterian paradigm embraces rather than suppresses risks. The mode of open competition is based on innovations and the so-called knowledge economy, which causes great pressures for all citizens to gain sufficient knowledge, skills and flexibility to cope with rapid economic changes. Social risks are increasingly related to work and employment more generally. Risks are more distributed by employment than ever before due to the rise of second and third pillar schemes and the retrenchment of the first pillar schemes. The role of the state is less about extensive service and social security provision and more about serving as a regulatory regime.

The best of Nordic political paradigms are currently under great pressure. This is not to say that we should try to return to any old paradigms in the politics of social risk. Rather, we need to rediscover the valuable aspects of old paradigms, to update paradigms and to reflect upon new ways to materialise the aspired changes in the contemporary political-economic order. The Nordic social democratic welfare politics have, of course, been criticised and re-politicised along the same lines many times before for various reasons. When it comes to politics of social risk, it is sufficient to take Kuisma’s (2011a, 2011b) advice from these debates: instead of being optimisation-prized economists, we need to put much more weight on ideas and policies and on showing what citizens can tangibly achieve when they form a political alliance.

At the most general level, we must now democratically discover and if necessary redefine what good life is and how the new politics of social risk can help everyone to live it in the Nordics. Without this, any kind of new politics of social risk are prone to fail. In order to reinvent old paradigms and to adjust them to the current conceptions of good life, we also need a thorough re-politicisation of the current trends in all three political dimensions (assessment, distribution and management). A few issues in each dimension are next discussed in more detail.

The Nordic politics of risk assessment have been traditionally characterised by collective deliberation by the representatives of people both as representatives of citizens (state and political parties) and of economic inter-
ests (labour market parties), and by professional setting of agendas. As noted above and elaborated in more detail in various other chapters of this book, the erosion of the central bargaining systems is certainly affecting the possibility to assess risks in collective democratic deliberation, which fragments the assessments and may provide even a greater role for the domination of professional discourses. Moreover, there have been calls for increasing assessment of risks at the individual level in contrast to collective assessments (e.g. Pajarinen et al., 2010).

Conceptualising social risks as risks to individuals may easily mean that professional social and financial engineers are assessing risks on behalf of individuals, or that the assessment is complemented with the imperative to manage the risks alone. This is not probably the Nordic conception of good life in a good society. Assessment on an individual basis is problematic. One of the problems of the new individualist micro-bias is that it tends to undermine the macro-level risks embedded in the global economy. Individualisation of assessment becomes dangerous in the context of global economy that is ridden with high risk levels magnified by constant capital market inflation (see e.g. Toporowski, 2005). Basically all events in the global economy become possible sources of system-level disturbances against which individuals cannot be protected by financial risk management (Beck, 1999). All financial products that are marketed as effective hedges against social risks are in fact producing most benefits for their sellers (De Goede, 2004). It is evident that if we wish to assess social risks as risks to individuals, we must take the macro-level much more seriously than as a framework of competition. Before that, however, we as Nordic citizens need to re-politicise the entire idea and find agreement whether individualism as seen by financial professionals, not citizen representatives should be the way in which risks are assessed.

The one true cornerstone of the Nordic paradigms of social risk has been the distribution of risks with a multi-pillar model. The Nordic politics of social risks have always been very open-minded about providing access to risk management mechanisms in different pillars of the society. Now, however, the Nordic countries have strongly embraced the idea of workfare state in which risks are increasingly distributed via employment. This has increased polarisation between the winners and the losers. Take for example Finland.
The individuals working in stable and successful organisations are enjoying generous second-pillar health services and access to various other schemes, whereas precarious workers have to live with retrenched health services and constant uncertainty. The two-tier first pillar pension system for example can very effectively provide generous pensions for nearly all Finns but only in conditions of full employment and stable working careers which both have become less common since the early 1990s depression. The inequality in relation to social risks caused by increasingly workfare based distribution is becoming evident.

It must be noted that this is not to say that the first pillar or public service and social security provision would be in crisis. On the contrary, the first pillar becomes crucial in shaping the risk of unemployment. If we live in a ‘four-fifths’ or ‘three-quarters’ welfare state in which a vast majority of workers enjoy access to generous second and third pillar benefits, then it is clear that the first pillar defines the gap between winners and losers. Perhaps one of the key questions in the future of Nordic risk management is the distribution of social risks. Do we wish to provide sufficient and equal social safety nets for all or for example only to provide equal access to risk management within different pillars?

Yet perhaps a more pressing problem with the current workfare ethos is that it has become difficult to affect how risks are distributed via work. Traditionally, the first (public) and second pillar (occupational) social security and services arrangements have not been fundamentally separated in Nordic political bargaining. Now however, as demonstrated by Theo Papadopoulos and Antonios Roumpakis in their chapter in this volume, the European social space strips away the possibility to coordinate second-pillar schemes with the first-pillar schemes effectively. This is very likely to strip effectiveness away from the Nordic politics of social risk, and it certainly increases the importance of the first pillar schemes. Whether this is commendable or not is a matter of deliberation – a deliberation whose goal has to be political action for Nordic governments and political parties at the European level.

In terms of risk management, the Nordic paradigms have been quite effective in providing help to cope with social risks. The key question concerning the Nordic paradigm here is whether the egalitarian ethos in coping strate-
gies is sustainable or not. The access to risk management may continue to be relatively egalitarian but the coverage and the generosity of benefits can hardly be called egalitarian in essence. Although the multi-pillar model has been valuable in terms of policy-making, it is evident that the role of the first pillar safety nets has been somewhat undermined in all Nordic countries in case of social security, albeit not necessarily in case of public services. As result, individuals and households have become more dependent on the labour market in facing social risks. Although this development is all but a positive one, stating it is not enough to conclude the analysis of risk management: the focus moves to preventive and mitigation strategies.

The capabilities to prevent social risks from materialising collectively have also become somewhat limited in the so-called world risk society and in the current European framework both discussed above. The same applies to mitigation, the reformulation of the event causing the risk. It is for example increasingly hard to regulate labour markets and to ring-fence social security systems from international economic cycles. The flexicurity model may for example mitigate the risk of unemployment significantly (e.g. by enabling supplementary education during unemployment) but it does not make the risk of unemployment any less imminent or dependent of global economic development. On the other hand it must be noted that many prevention strategies like education and health instruction have been embraced as a key part in the politics of individualisation. Similarly, mitigation strategies like parenthood leave support are still very strongly present whenever the workfare ethos is strengthened.

Employment is one important issue where all the three dimensions are relevant. The problem with the current Nordic workfare ethos is that there have been very few debates on ‘good work’ and the role of work in good life, which would provide guidelines for employment policies. Indeed, if second and third pillar unemployment, health, pension and other insurances become the norm with which risks are distributed, what kinds of employment policies do we wish to have? Or, put differently, if we are willing to live in a workfare society, to what kinds of vulnerabilities do we want to subject ourselves as workers? If the workfare society is very broadly considered legitimate – which
is not necessarily the case – the answer to these questions is essential in redefining the Nordic paradigms.

Take for example equality. If we assume that all citizens should be equal, should the state for example serve as ‘the employer of last resort’ in order to achieve full employment or should individuals fully bear the responsibility of employment on their own? Should individuals be fully responsible for employing themselves even when a global financial crisis wipes off ten percent of production and there is insufficient effective demand to establish new firms and products? Unless these questions are answered in collective deliberation, the risks related to work become very easily both assessed and born only by individuals whatever our idea of equality is. In order to strengthen the democratic ethos in the politics of social risk, we need to strengthen rather than suppress collective deliberation over the role of work in good life.

Good life is not the only macro-level question that needs to be addressed. Another one is the division of moral labour in risk management between all societal actors. This includes both the provision of risk management and the costs. Due to tax cuts for businesses, the individualisation of risks in pension systems, the rise of user fees in public services and many other related developments, the costs of managing risks have become more individualised in all Nordic countries. As result, the mitigation of social risks has in general become more individualised. Should we accept these kinds of developments? The answer depends on who we consider responsible for risk management and how this assessment is framed. Without political debates, any deliberate division of labour in the politics of social risk is next to impossible.

All in all, one of the key agendas of this chapter has been to re-politicise the contemporary Nordic approaches to social risk in a few fronts. Firstly, we need more inclusive and highly representative political debates over good life in order to assess democratically which social risks are considered the most important in the contemporary Nordic societies. Whether risks should be assessed on individual, firm employee, regional or national-institutional bases is the first topic that needs to be discussed. Secondly, we need a comprehensive agreement on the division of labour in distributing and managing social risks. To revive the Nordic egalitarian tradition, the public safety nets need to be maintained sufficient to ensure substantial quality while at the same time
making it clear in what scope risks should be borne by individuals and other actors in order to improve fairness. Thirdly, in order to renew the multi-pillar paradigm, the individualisation of social risks – if accepted in the first place – needs to balanced with macro-level collective policies that ensure as effective management of social risks as possible. Besides changes in attitude, it may require proactive global politics to “de-financialise” the global economy and international cooperation to change the current European regulative framework. This is indeed a major prospect for the Nordic political cooperation in the future. It is moreover evident that the tripartite negotiation systems are among the key political spaces for all these debates and goals.

THE STRUCTURE OF THE BOOK

The volume in your hand does not belong to a genre of extensive research reports that would aim at providing a definitive review of politics of social risk in the Nordics at the time of writing. Rather, the purpose of this book is to provide new insights and theoretical tools that can help to find new directions for Nordic social and public policies in which social risks are addressed. While it would have been possible to choose only scientific articles made by Nordic researchers – there is indeed very much high-quality academic research on the topic – and to opt for a fully scientific genre in style, we have made a selection of more essay-like analytical, historical, theoretical and policy-oriented approaches presented by Nordic and international authors. The reason for heterogeneity is that we believe it covers the public debate on social risks better than exclusively academic orientation could.

The book includes seven chapters besides this introductory chapter. Although all the chapters discuss a great variety of political issues, they can be also classified according to three key themes in the politics of social risk. The first key theme addressed in this book is the changes in social risks and especially the policies of social risk in the Nordics. There are three chapters that can be best fitted under this theme.

The second chapter of the book, written by Erik Bjørsted of the Danish Economic Council of the Labour Movement (Arbejderbevægelsens Erhvervsråd), discusses the changing role of education in the politics of social risk
in the Danish economy. Education has become one of the key challenges and sources of social risk for individuals in an economy that is now more flexibility-prized than perhaps ever before. Mr. Bjørsted argues that the growth in training levels has slowed down significantly, which will cause many imbalances in the Danish labour market in the future. The policies strengthening the education of the workforce would help to correct these imbalances. Such policies would also produce positive effects both for tackling social risks more effectively and for enhancing the quality of economic life in Denmark more generally. In order to control the social risk of inadequate education more effectively, it is clear among other things that businesses must change their attitudes towards internships and that legislation on various issues ought to be discussed and re-evaluated.

The third chapter of the book, authored by Anne-Marie Lindgren of the Swedish Labour Movement Think Tank (Arbetarrörelsens Tankesmedja), moves to discuss the change in and experience of public service provision in Sweden and expands the discussion to the political foundations of new risk management institutions in the Nordics. This discussion is contrasted briefly with some contemporary perspectives on the Finnish service provision in the fourth chapter written by Joonas Rahkola of The Central Organisation of Finnish Trade Unions (Suomen Ammattiliittojen Keskusjärjestö). Ms. Lindgren brings forth the proposition that the privatisation and outsourcing of public services, which have recently characterised the politics of social risk in Sweden, have been accompanied by the financialisation of the services or their funding, which has challenged the rationales behind the outsourcing. Moreover, it has produced many somewhat negative outcomes like increasing inequality in social risk management and increasing costs of service provision. As Mr. Rahkola demonstrates, the possibility for such developments has been discussed in Finland, but they have not been materialised at least in comparable scope due to different policy choices.

The second key theme addressed in the book expands the discussion from policies to policy-making. Indeed, the effectiveness of the Nordic countries in managing social risks is perhaps less due to public policies than to mode of policy-making that helps address social risks rather comprehensively. The ability to discuss social risk in various centralised agreements has been a key
political success factor in the Nordics. That said, the idea of combining centralised policy-making with multi-pillar approaches is constantly contested, and this mode of policy-making has become more dependent on success stories.

In the fifth chapter of this volume, Claes Belfrage of the Queen Mary University of London demonstrates that the way of addressing social risks can prove to be crucial for the political success of a single political party. Dr. Belfrage discusses comprehensively the historical role of the Swedish Social Democratic Party in shaping one of the key institutions of managing social risks of the elderly, the mandatory earnings-related pension scheme. Pension system design and reforms have provided ample opportunities to seize political victories and to build a Social Democratic identity of social risk management. Yet reforms can become a political burden for a party whose ‘crown jewel’ the pension scheme was. The pension politics have caused the Social Democrats to embrace a new set of values that Dr. Belfrage discusses under the notion of subversive neoliberalism and, ultimately, to lose their political identity in the face of social risks. Dr. Belfrage argues that in order to have political success stories, the Social Democrats need to reconsider their relationship to the most important cornerstone of the politics of social risk, the pension systems.

Antti Alaja of the Finnish Kalevi Sorsa Foundation discusses another type of political success story in the sixth chapter. The Finnish centralised tripartite negotiations and especially the incomes policy agreements have been the central institutions in which successful public policies of social risk have been built during the last half a century. The otherwise elastic institutions have been recently questioned and somewhat abandoned by the employer organisations. In an era of national competitiveness discourses, the key focus on social risks has been transferred from individual and firm levels to the national scale, to the overall Finnish economic success. Mr. Alaja argues that in such setting, the ability to coordinate economic and social policy in a centralised manner then becomes vital for effective and successful risk management. Without such ability, different kinds of political actors are unlikely to produce effective policies of risk management. It is thus little wonder that the centralised bargaining system has been revived.
The third key theme of the book is political and institutional contingency in the politics of social risk. By focusing on contingency we especially wish to show that social risk management generates social risks as such. Furthermore, all risk management includes operational risks as such and all political settings addressing social risks have the risk of failing. It must be noted, however, that these risks are not only about operational successes or failures in seizing opportunities but they also concern the abilities to react and to mobilise political resources. In short, the political effectiveness of the Nordic countries to manage social risks should never be taken for granted.

The seventh chapter of this book, authored by Ville-Pekka Sorsa and Antonios Roumpakis of the University of Helsinki, is a detailed historical analysis on the risk and dependencies related to the Finnish and Swedish mandatory earnings-related pension schemes. Dr. Sorsa and Dr. Roumpakis argue that although the individuals bear risks differently and some institutional dynamics differ in the two pension schemes, they also include many similar contingencies. The comparative historical approach helps to see how different regimes come to embrace, suppress and reformulate social risks in their own ways, and how different approaches prove sustainable, become out-dated or get reformed. The two schemes have been subject and continue to be to quite different reform paths in political terms. The Finnish scheme for example continues to provide more political room for reforming the scheme in the operational governance, while the success of the Swedish scheme has become more dependent on professional systems design.

In the eighth and last chapter of this book, Dr. Theo Papadopoulos of the University of Bath and Dr. Roumpakis address some recent developments in the European framework that compromise the parity principle, which is one of the key political characteristics of the Nordic labour market bargaining systems. The European regulative framework challenges the Nordic politics of social risk by steering the politics of risk distribution towards more market-based solutions and by limiting public possibilities to prevent and to mitigate social risks. Focusing especially on the role of the European Court of Justice, Papadopoulos and Roumpakis demonstrate how the new European social space serves as a strong but contingent external influence to more local and national politics of social risks.
In combination, these eight chapters provide valuable new insights to the Nordic politics of social risk. The reason for the novelty is not so much the themes discussed – they have been present in the academic and professional debates for ages – but the way in which they are discussed and combined. When policies are combined with policy making, institutions of social risk with institutions of addressing them, and risk management with generation of risks, it is clear that the understanding of any kind of stable or static ‘Nordic model’ must change. And, indeed, we also hope that this new understanding can provide new ideas in and approaches to the actual politics of social risk.

All the views presented in individual chapters are of course authors’ own – including this introductory chapter in which many highly subjective interpretations of the other chapters have been made. That said, the editor is always in part responsible for omissions, for highlighting some arguments over others and for letting factual errors end up in the final version of the book. As the editor of this book, I hope you find the selection of issues and approaches discussed one that helps new thoughts concerning the Nordic societies to emerge – hence the title of this volume.

References


