



Consensual Redistribution in a Mature Welfare State

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The Nordic states are renowned for their well-functioning welfare systems with high employment rates, a general willingness in the population to contribute to the common good and a high standard of living with a low relative poverty rate. It is hard to pinpoint exactly what it is that distinguishes the Scandinavian countries, but some things certainly stand out. Andersen, Dølvik, and Ibsen (2014) claim that their success is grounded mainly in their system of collective agreements, which is vital in the settlement of wages and employment conditions. The system relies on strong organisation among employees and also on the side of the employers. The two organisations function as mediators between employers and employees and have according to Andersen, Dølvik, and Ibsen (2014) secured 'happy workers' over many decades. In his pioneering work, Gøsta Esping-Andersen (1990) claimed that the Scandinavian welfare states started with well-organised farmers who had the capacity to negotiate political deals, and later established a union between blue- and white collar workers. Instead of fulfilling minimum needs, social benefits were made to meet the standards of the middle-class and were simultaneously universally distributed. The result was, according to Esping-Andersen (1990, 28) that: 'All benefit: all are dependent: and all will presumably feel obliged to pay'.

If we look at the Danish welfare state historically, we can see that it has gone through many vicissitudes, financially and otherwise and many scholars of the Danish welfare state agree that it owes its relative success (compared to other welfare states) to the willingness of the population to respond to challenges.

Adaptations have always respected the strong sentiments of justice or fairness that distinguish Scandinavian citizens. Although parts of the population have protested against welfare reforms, there seems to be a general perception that the state should be trusted to do what is right for all Danish citizens, even if that means higher taxes or a reduction in benefits for some groups. American political scientist Robert Henry Cox argues that success lies in people's ideas of its success rather than in the system itself. He points to the main values of

the Scandinavian welfare model: universalism, solidarity, and what he calls decommodification or freedom from the market, and argues that these values are so general that any new reform can be rendered compatible with them (Cox 2004, 205). Conflicts are solved through what Cox refers to as 'stickiness' in the population as well as on the part of policy makers. Both believe in the idea of a Scandinavian model so strongly that its success becomes a self-fulfilling prophecy.

So, if Scandinavians are more prone to accept the constraints and obligations of the welfare state because they believe in the core values of universalism, solidarity and decommodification of the market, how does this play out in the behaviours of the business owners and employees I studied?



Salmon cut and ready to be packed for delivery. Every day, the fishmonger delivers fresh fish to be cooked and served at public kindergartens and other public institutions.

(Photo: Anne-Erita Berta, 2016)

Fair and unfair taxes

Julian is deeply concentrating on a ring that is due tomorrow and I am as usual placed on the other side of the work desk with my notebook asking questions and making conversations while he works. Julian's small workshop/ showroom is in the heart of the city, in the hip and gentrifying area where new, innovative businesses are popping up in old buildings listed as cultural heritage. The area used to be known as a 'bad area' marked by prostitution, drugs and criminality, but the 'hipsters' have taken over and in this culturally flourishing street Julian's small, intimate business fits in well.

As we sit at each end of the work bench which is laden with jeweller's tools, Julian's phone makes a noise and he picks it up to check. 'I haven't paid my taxes', he says with a puzzled look on his face. 'That's strange, that usually happens automatically,' he continues, before he investigates further what might have happened (excerpts from fieldnotes, October 2016).

Julian later found out that something had gone wrong with his standing order at the bank, so that his taxes had not been paid on time. This small, seemingly insignificant event revealed Julian's deeper attitudes towards taxes. When he said '*den betaler sig selv, syns jeg*', meaning literally 'it usually just pays itself', Julian indicated that paying his personal taxes was a matter

of course and not something he could control.

Although not all Danes I met paid all their taxes gladly, I experienced a general tendency to view income tax in this way, without protest or even reflection. When I asked people about their incomes, they would always give me the 'after tax' amount, as if the close to 50 percent most people paid in taxes had not been deducted. It was not their money and it never had been. For employees this was only natural but Julian's relationship with the money he paid in personal taxes seemed to be no different.

Later the same day I asked him about his attitudes towards taxes and he assured me that he was happy to pay. Not that he was literally joyful and happy to see 50 percent of what he earned disappear into an abstract state welfare account, but because 'that was just the way it was'. Julian disregarded this tax payment when he calculated how much he earned.

I often heard the phrase '*ret skal være ret*' (what's right should be right), referring to the attitude that when something is the right thing to do, you should just do it, unquestioningly. Paying your personal taxes is a duty but also a privilege, for every Danish citizen. Julian was aware that the taxes he paid were redistributed and he trusted the Danish welfare state to do this a fair way. There was a general conviction that everyone should get an education, medical care and social benefits on a universal basis.

The same individuals had more nuanced attitudes toward other taxes they were obliged to pay. Many entrepreneurs did their best to evade taxes such as the 25 percent VAT (Value Added Tax) and other employment-related social obligations. Julian, a successful jeweller, undeniably belonging to the upper middle layers of society, never admitted to avoiding such taxes, but his attitudes towards VAT were not grounded in the same values of fairness. When he bought materials from a Danish distributor, the distributor had already paid VAT once; it seemed excessive to Julian that he should pay again when he sold the object to a third party.

Sally, another entrepreneur, had acquired expertise in how to avoid such 'unfair' taxes without contravening the law. With great enthusiasm she taught me about how to save money, for example by applying for a VAT refund if merchandise is not sold within three years. Because Sally was a retailer of goods that did not decrease in value over time, and also because she had more than 100 square metres of storage space and no mortgages or other financial obligations, she could afford to buy large quantities of goods and store them. This allowed her to earn 25 percent more than she would have if the goods had not been stored. Sally viewed this as a legitimate, unproblematic way of avoiding taxes. To her, it was only fair that she could make these kinds of arrangements when she had the possibility to do so. But like Julian she had a strict attitude towards personal taxes. They should be paid in full: 'that is our duty as Danish citizens contributing to the collective good, even if there is room for improvement in the

distribution' (*det er vores pligt som danske medborgere at bidrage til fællesskabet, selvom der er meget, der kunne have været bedre*). Her last comment refers to a perception that public institutions such as elderly homes have room for improvement and that no one should live below the relative poverty rate.

Employment from the employer's perspective

Another way for a business to save taxes was to hire staff on a temporary or part-time contract rather than offering a permanent, full-time contract. The Scandinavian welfare states have reduced their high level of work security through deregulation of the labour market and pursued active labour market policies to ensure full employment. As elsewhere in neoliberal Europe, this has led to tensions and insecurity for large numbers of workers.

These changes have been accompanied by a new system in which a proportion of one's pensions savings is private, while employers per 2017 pay 189 DKK (€26) per month to the public pension fund (ATP) for each employee. For *funktionærer* (employees with permanent contracts), they have to pay vacation money, which is 12,5 percent of the monthly salary, parental leave fund, and *arbejdsskadeforsikring*. The *Arbejdsskadeforsikring* (workers injury insurance) is a statutory insurance that secures the employer as well as the employee in case of severe work related injuries. From an employer's perspective it is only rational to hire freelance workers. But this is legally prohibited in most industries. The more common contracts are either *funktionærer* or *medarbejdere* (literally co-worker). A *medarbejder* has fewer rights than the *funktionær* and is usually paid by the hour, whereas a *funktionær* has a fixed salary and generous supplementary benefits (as indicated above). However, if a *medarbejder* works more than eight hours a week s/he is entitled to more or less the same benefits as a *funktionær* (with the exception of the length of paid holiday and redundancy notice). Most full-time employees are thus entitled to more or less the same rights as a *funktionær*, but the details are subject to negotiation between employer and employee – or labour union and employer's union.

Unions play a key role in determining the minimum wage. They intervene when a member alleges unjust (*uretfærdigt*) treatment and negotiate with the employer to secure a fair (*fair/retfærdigt*) solution. Although Union membership is not compulsory and employees are free to negotiate wage and other benefits with the employer directly, an individual is only entitled to unemployment benefits through union membership and membership therefore remains the norm.

Most employers in the small firms I studied met the formal standards of the employees' labour unions. In addition, informal agreements were common, involving benefits based on mutual trust and good will. These arrangements included flexible working hours, access to the firm's

car for private errands and consideration for absence on special occasions without salary deduction. For both employee and employer it was important that their relationship was built on what was just (*retfærdigt/fair*). Most agreed that the terms put forward by the labour unions were only fair, and that additional provisions were justified in terms of cementing a reciprocal relationship.

Sally considered herself to be an excellent business woman who realised that, by offering her employees a fair deal; they would give more in return than if you were frugal (*nærig*) in your employment negotiations. When hiring, she paid more attention to the applicant's personal characteristics than to qualifications. In fact, she was proud to inform me that most of her employees had been hired without even a glance at their CVs. When a person walked in to her shop and asked for a job, she would sit down and have a chat with them and if she felt that they shared somewhat the same values, she would hire them. The work contract would be negotiated on a basis of mutual fairness. Sally did not admit to herself that this was a cost-reducing strategy, but I noticed that most of her workforce was made up of young individuals with no prior work experience hired on a part-time contract and paid by the hour. When granted a small raise, such workers were thrilled, although even after a raise they might still be earning less than half of what older colleagues earned for performing the same tasks. Sally still had to pay employers' insurance, pensions, and holiday money, but she could adjust the hours worked by these staff to the level of customers in the shop, and thus minimise her costs. Only two of her seven employees had permanent contracts (*funktionær*).

Conclusion

The entrepreneurs I worked with in Denmark did use fairness as a value scale when they negotiated employment conditions as well as when they paid their taxes. But they did so with a general tendency to hierarchically classify some taxes as more fair than others, to work out creative solutions to the challenge of being a fair employer, and simultaneously to reduce costs by offering flexible contracts and negotiating individual arrangements with employees. Their general acceptance of high tax rates and their respect for employment laws confirm the theses of Cox (2004) concerning decommodification of the labour market, solidarity with employees and commitment to universal welfare benefits. That said, these individuals are also concerned with their own short-term benefits; ultimately, their contributions comprise what *they* consider to be fair, and not much more.

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