

1. Introduction: Baltic and Nordic countries from a comparative perspective – family policies and pensions in the era of ageing

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THE AIM AND SCOPE OF THE BOOK

The aim of this book is to discuss challenges faced by the welfare state systems in contemporary Baltic and Nordic societies. Challenges concern implications of demographic change (due to ageing, migration, de-institutionalisation of the family) for the development and sustainability of comprehensive welfare states, and the challenge of work–life balance, which is also relevant for demographic development, gender equality and child poverty. This volume outlines a number of challenges that are not unique to the Nordic–Baltic area, but which for various reasons may find – or have resulted in – different policy solutions among the countries in the area, and different from other European countries.

The major focus of this volume is on public support for families and pension protection. These two policy domains belong to the core of the social protection systems in both the Nordic and Baltic countries. Moreover, these policy fields concentrate on the most vulnerable periods of the life-course, when dependencies on familial, state and/or market-related arrangements are highest. Family support and pension protection have experienced significant reforms in the Baltic states over the last thirty years, as have the Nordic countries, where ageing of the population, increasing immigration and technological change have led to policy reforms. Furthermore, the Baltic republics thoroughly redesigned their social policies following the transformation of their social order after new-won independence in the early 1990s, sometimes learning from the best practices in the Nordics and, perhaps most prevalent, more restricted European Union (EU) standards partly supported financially by European funds (Aidukaite 2014, 2019; Rajevska 2009; Trumm and

Ainsaar 2009). Now, after almost thirty years of reforms, the book asks the following questions: how do the Baltic and Nordic countries compare as to family policy and pension protection designs and outcomes? What are the differences and similarities and what can be learnt from their experience?

There are also historical reasons to focus on Baltic–Nordic/Scandinavian comparisons (Rimlinger 1971). One rationale is that there were scientific and political proposals to establish a Balto-Scandinavian federation or union in the inter-war period, after the Baltic states gained their independence following World War I (Anderson 1967; Lunden 2019). There was a vision to establish a geographical-political union of the Baltic and Nordic states. But as a result of the Hitler–Stalin pact (1939) and the experience of World War II, the Baltic countries ended up as part of the Soviet Union until their liberation in 1990–91, and thus the idea of a Baltic–Nordic/Scandinavian union was buried. However, given the turbulent political history over the last 100 years, it is of interest to see to what extent the Baltic countries today, as new democracies and market economies – almost thirty years after secession from the Soviet Union – are (again) looking towards the Nordic countries and ‘the Nordic welfare model’ for inspiration to develop social policies, and also to assess the importance of the legacy of the Soviet Union. Shortly after independence in 1990–91, and 13 years before the Baltic states joined the EU, the Nordic–Baltic Eight was formed, which is a framework within the Nordic Council for cooperation among the five Nordic countries and the three Baltic states. Perhaps this is a first step towards reviving the inter-war idea of a closer union. Given that the Baltic countries are rarely part of comparative studies, and given their diverse history over the last 100 years, we think that this Nordic–Baltic comparison is, in any case, of significant academic and political interest.

The overarching aim of the book is to demonstrate the dynamics of welfare policies (family support and pension protection) in different socioeconomic settings. It challenges the conventional welfare state research by choosing to compare the most developed welfare states of the Nordic countries with the little-researched welfare states of the three ‘young’ market-oriented democracies of the Baltic area. By doing so, the book revives ‘old’ welfare state theories, welfare state models and family policy/gender regimes and contributes to a better understanding of the complex inequalities that families and individuals are facing in the 21st century. Do existing theoretical frameworks (varieties of capitalism/welfare, family/gender models, the familialisation/de-familialisation dichotomy, convergence and divergence in welfare state development) provide appropriate analytical tools to understand the welfare state challenges and the complex social risks that families and individuals encounter during their life-course?

The Baltic and Nordic welfare systems encounter a number of challenges that are typical of the majority of the EU countries: the ageing of the popula-

tion; family de-institutionalisation; increasing migration; a decline in demand for unskilled labour and the consequent rise in unemployment; and technological change, which results in 'flexible work' and short-term contracts, requiring new forms of social security since the established system was based on long-term contracts and job security (Aidukaite et al. 2012; Brady and Young Lee 2014; Hudson and Kühner 2009). In addition, new challenges may come, such as global pandemics; for example, Covid-19 has emerged, which has posed unexpected demands for social policy. In Europe, on the background of these challenges, it has become customary to speak of the welfare state 'crisis'. To address the challenges of the welfare state, policy makers were forced to implement social policy reforms and adapt existing policy structures to the changing conditions. Politicians and social scientists increasingly pose the rhetorical question of whether the European welfare state model, based on the solidarity between generations and classes, is sustainable in this globalised and liberalised world (see, for example, Kvist 2004; Palier and Guillen 2004; Pascall and Manning 2000).

The challenges faced by the Baltic and Nordic welfare systems differ in 'qualitative' terms. The Nordic ones are among the most developed welfare states in the world, characterised by generous and universal pensions and family support systems, high de-commodification (but also by relatively high labour market participation by women) and increasing immigration (Esping-Andersen 1990; Hort 2014; Palme 2016). Meanwhile, the three Baltic states are among the leanest welfare states in Europe, at least when measuring their scope by the level of spending as a proportion of gross domestic product, the generosity of welfare state benefits, the high level of commodification and high rates of outward labour migration (Aidukaite 2019; Aidukaite et al. 2012; Genelyte 2019; Sipavičienė and Stankūnienė 2011). Still, there are important reasons to analyse the Baltic and Nordic welfare systems from a comparative perspective.

The family support systems (maternity, paternity, parental leave, childcare) in the Baltic states share many similarities with the Nordic model, not least as to their design, but also if benefit replacement rates, women's labour market participation rates and maternal employment rates are considered (see Javornik and Kurowska 2017; Chapters 2, 4, 5 in this volume). Therefore, it is important to investigate to what extent and how the similarities and differences in the family support systems of the Baltic and Nordic countries generate different results in terms of the degree of familialisation/de-familialisation, child poverty, and gender (in)equality. Elements of privatisation have increased in the Nordic countries in the two most recent decades; for example, an increase in private pension insurance (as a supplement to public pensions), the growth of private health insurance and private health services, and the outsourcing of public services to private providers (see Hort 2014; Svallfors and Tyllstrom

2019; Tunberger and Sigle-Rushton 2011). In the Baltic states, the privatisation elements in pension protection, health care, and child and elderly care services are widespread. Therefore, it is important to investigate and assess how privatisation of social protection will affect the level of inequality and poverty in the Baltic and Nordic countries in the long run (see Chapters 10, 11, 12, 13 in this volume).

The comparative analyses of the Baltic and Nordic welfare state systems respond to a number of theoretical and empirical questions that are relevant to contemporary welfare state studies: what is – or should be – the role of private actors in the welfare state (non-profit organisations and commercial firms)? How should the pay-as-you-go principle be combined with the cumulative principle in reforming pension insurance? What kind of family policy measures can best ensure gender equality and work–life balance and solve the problems of child poverty?

By addressing policy developments in the field of family support and pension protection in these two groups of welfare states, the book contributes to finding, and reflecting upon, innovative solutions to common or similar challenges in European welfare states.

The book contributes to the existing literature in two important ways: (1) it documents the dynamics of family policies and pension protection systems in two contrasting socioeconomic settings (Baltic and Nordic), and (2) it contributes in particular to a more informed understanding of welfare state policies of the little-researched Baltic states. These new nation-states have been largely ignored in broader comparative welfare state research.

STRUCTURE OF THE BOOK

The book is divided into two parts. Part I is devoted to family policy challenges in the Baltic and Nordic countries. Chapter 2, written by Jolanta Aidukaite, provides a rigorous comparative overview of the situation in the Baltic and Nordic countries. Using a familialism/de-familialism dichotomy it shows that the Nordic family policy model still adheres strongly to its principles of gender equality and universalism and still produces positive results in this respect if compared to the Baltic states. The Baltic family model is catching up, but delivers inconsistent and ambiguous outcomes pointing to the gaps in the complementarity of social policy. The paid leave policies (maternity, parental, paternity) in the Baltics are not yet supported by widely available services. Elderly care is a field that does not receive much attention from the state and is prescribed by the constitution to be a family obligation. These features strongly divide the Baltic and Nordic nations in their family policy domain.

In Chapter 3, Livia Sz. Oláh and Gerda Neyer delineate the challenges faced by Europe's welfare states and the core features of the Swedish family

policies as a way to tackle new social risks. The authors claim that by pursuing a social investment strategy and aligned family policy measures that promote commodification, de-familialisation and the de-gendering of employment and care while also upholding old virtues of the Social Democratic welfare state, such as de-commodification, universalism and social equality, Sweden seems to have met the new challenges quite successfully. The chapter highlights important features of the Swedish example to tackle new social risks, as well as the main lessons regarding the policy challenges ahead.

Chapter 4 by Mia Hakovirta and Mikael Nygård shows that during the 2000s, the Nordic countries continued to invest in early childhood education and care while their parental leave systems became more gender-equal; for instance, through the enhancement of ‘daddy quotas’. When it comes to protecting families economically, on the other hand, there has been an incremental erosion of universal child allowances, although some improvements have been made in selective transfers to the most economically vulnerable families. It shows that child poverty rates have climbed in conjunction with the 2008–2009 international financial crisis, most notably in single-parent and immigrant households. This development warrants a discussion of the future family-friendliness of the Nordic family policy model.

In Chapter 5, Katharina Wesolowski, Sunnee Billingsley and Gerda Neyer explore harmonised data on social policies over time to describe how policies support earner-carer and traditional family models in Lithuania and Sweden. The authors highlight areas of convergence and divergence in family policy in these two countries with very different histories.

Chapter 6 further develops the comparative discussion on family policy issues of Lithuania and Sweden. Jolanta Aidukaite and Kristina Senkuvienė investigate the challenges that the public family support systems experience in the two countries, and evaluate subjective citizens’ opinions and rating of different family policy schemes. It shows that in the 21st century, the family policies that address gender equality, such as parental leave policies, are highly appreciated by the population. However, policies have to be backed up by care services. The low ratings of elderly care and disabled children’s support show that in the future, policy makers in both countries have to fulfil increasing demands for care services in order to maintain sustainable family support systems. In Lithuania, the emphasis on means-testing in the family support system does not prove to be a sustainable strategy. Despite the long-lasting tradition in supporting families according to the proven need, the majority of respondents view this as the least adequate policy of support provided by the state.

Chapter 7, written by Mare Ainsaar and Mona Sõukand, explores the evolution of day care in Estonia and the parents’ day care fees. The authors use data from special surveys conducted by them in local municipalities in Estonia from

1999–2015. Results show that the contribution of parents varies essentially by different local municipalities and creates huge regional differences in treatment of families with children. It also increases regional inequality.

Part II focuses on pension protection issues in the ageing Baltic and Nordic societies. In Chapter 8, Jolanta Aidukaite, Sven E. O. Hort and Mare Ainsaar review the welfare policy arrangements developed in the Baltic and Nordic countries to address ageing problems. The chapter describes policies directed towards the elderly citizens in different socioeconomic and ideological welfare state settings, reveals older people's objective and subjective economic situation and attitudes towards the state role in ensuring safety. The findings show that after almost thirty years of social policy reforms in the Baltic countries, senior citizens remain in a precarious situation according to both objective and subjective indicators. The analyses show essential existential gaps among younger and older generations, if poverty, age discrimination and income security are considered. The situation, as expected, is more positive in the Nordic countries. However, Finland exhibits similarities with Estonia and Lithuania in terms of overall satisfaction of elderly people with their household income and preference for stronger support from the government. This is explained by the lower availability of long-term care services in Finland, and especially in the three Baltic states, and an emphasis on familial care.

In Chapter 9, Kati Kuitto and Susan Kuivalainen explore the case of Finland in more depth. They discuss how family-leave-related career breaks relate to gender inequalities in employment and pensions in Finland. While being considered as one of the most gender-equal countries in the world, the gender gap in earnings and pensions is still a considerable matter in Finland. Career breaks related to parenting are one of the reasons for the persisting gap: although the Finnish family leave scheme offers gender-neutral possibilities for both mothers and fathers to stay at home for child-rearing, in practice over 90 per cent of all parenting leave days are still taken by the mothers. The home care allowance, which is available until the child's third birthday, offers an incentive for long leaves from the labour market. This results in comparatively long career breaks, which, in turn, negatively affect women's earnings during the life-course and, eventually, their pension accumulation, too.

In Chapter 10, Axel West Pedersen compares the nature of minimum protection schemes for old-age pensioners in Denmark, Norway and Sweden. Variation and developments in the overall generosity of minimum protection provided through the pension system proper and other relevant instruments are assessed. The interaction between minimum protection and the earnings-related components of the respective systems are also assessed with a view to the implications for distributive outcomes and labour market incentives.

In Chapter 11, Olga Rajevska investigates the risk management of the pension systems in the three Baltic states. Pension systems are mechanisms of

insurance against certain risks associated with old age: risk of longevity, risk of poverty and social exclusion, risk of low interest rates in funded schemes, risk of devaluation of savings, risk of a drop in living standards, risk of poor health, etc. Some of the risks are personal; others are public or corporate.

In Chapter 12, Teodoras Medaiskis and Šarūnas Eirošius compare the Lithuanian and Swedish pension systems from the point of view of their design and performance. The Swedish income, premium and guaranteed old-age pensions system is compared with the analogous Lithuanian system of the 'first' and 'second' pillars and 'social' pensions. The main features of the systems are discussed, and the performance of the systems, mainly from the point of view of adequacy, is compared. The differences in the systems' design and performance are identified, and the possible reasons for these differences are examined. Special attention is paid to the differences in financing and the approach to the definition of benefits. The Lithuanian pension points approach is compared to the Swedish Notional Defined Contribution (NDC) approach. Each system is analysed, and the relevance of transforming the Lithuanian first-pillar pensions into an NDC system is examined.

In Chapter 13, Magnus Piirits focuses on the case of Estonia. The chapter aims to assess the impact of pension reforms on retirees' income inequalities between 2017 and 2100. The proposed individual-level population microsimulation model is used to simulate pensions in all three pillars (pay-as-you-go, mandatory funded and voluntary funded schemes). Although all three pillars are linked to wages in a large scale, the results of the microsimulation model show that inequality of pensions rises slowly. The adopted pension reforms at the end of 2018 (linking retirement age to life expectancy, a decrease of the wage part in pay-as-you-go) do not change the inequality significantly, and rather increase it. The pension reforms are seen as needed from the sustainability point of view because without the reforms the pay-as-you-go scheme will be in deficit, at least until 2050.

In the last chapter, Barbara Hobson, using the metaphor of stretching the canvas, aims to take the conversation on comparative welfare states further by focusing on the conceptual and theoretical challenges that emerged from this book. In comparing Nordic and Baltic countries, she underscores both the hybrid features of these welfare states as well as the commonalities across them. Beyond revealing the shortcomings of typologies that assume coherence in policy frameworks and path dependencies, she argues for a dynamic agency-centred framework that allows conceptual space for welfare state changes and their effects on diverse groups.

EPILOGUE

In comparative terms, counter-posing Baltic and Nordic welfare states has never been done to such an extent before as in this volume. Analytically the book highlights two key welfare policy areas (family policy and pension insurance), and at a time when both the traditional Western and the post-socialist welfare states were undergoing tremendous transformations – in both cases towards more market conformity, ‘new public management’ and privatisation. What can we learn from the comparative analysis of the family policies and pension protection in the Baltic and Nordic countries? The answer is clear. The state remains the most important agent in providing financial security and empowerment services for families and individuals experiencing social risks. Familialisation and/or marketisation has not proven to guarantee the well-being of the most vulnerable groups of the population (Aidukaite et al. 2021, forthcoming; Kuhnle et al. 2019).

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