

Challenges to the Welfare State

Family and Pension Policies in the Baltic and
Nordic Countries

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8. Welfare policies and attitudes in the Baltic and Nordic countries

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INTRODUCTION

Ageing – with the goal of a later life of decency and dignity – is perhaps the greatest achievement in the global history of modern humanity. Welfare states, in particular medical and pension policies, have contributed immensely to the increase in health and well-being among the elderly in general. Harold Wilensky (1975) early on argued that demographic pressure and the material resources of a country together with different ideological-political orientations shaped national social policies around the globe. This may yet be the case. Due to increasing numbers of retirees in Europe and elsewhere, governments are taking measures to reform pension insurance and expand on long-term care. As stated by Wacker and Roberto (2011), ‘We are living in a unique period in history and at a time in which governments will be compelled to consider myriad ageing social policy questions’ (p. 3). A few questions include: What can be done to protect the financial sustainability of the pension systems? How should responsibility be shared between the state, market and family regarding providing social security (financial and care) in old age? Should the state be a primary caregiver for the elderly, or should the responsibility be shared or even transferred to the family? At present, there is a great variation among European countries on how governments respond to these questions.

This chapter seeks to contribute to a growing body of literature on ageing and how different welfare state systems are trying to address it (Aidukaite, Ainsaar and Hort 2021). We aim to (1) capture the current trends in the Baltic and Nordic¹ welfare policies on ageing from a comparative perspective, (2) highlight differences and similarities, and (3) reveal senior citizens’ subjective perceptions of their socioeconomic situation and their attitudes towards the role of government in ensuring safety. The goals of social policy are to reduce economic insecurity and to improve the life chances of the population. In evaluations of goal achievement, policy makers and scientists should not

only take into account the actual social policy arrangements, but also citizens' perceptions and their subjective feeling of security (Svallfors 1997; Wendt, Mischke and Pfeifer 2011). Therefore, citizens' views in this chapter should add vital information to the overall understanding of the Baltic and Nordic welfare policies on ageing.

The methodology is mainly comprised of the analysis of previous literature on the topic of ageing and related international data sources (Eurostat; the Organisation for Economic Co-operation and Development, or OECD; and so on). Influenced by the literature on welfare state typologies (Arts and Gelissen 2002, Esping-Andersen 1990), we employ welfare state regimes and welfare state political ideologies (Hemerijck 2017) to delineate major differences between the Baltic and Nordic countries. For our purposes, we choose to focus on pension protection as the main policy of income security for older citizens and on long-term care (LTC) as the key policy to ensure autonomy for older people. A review of senior citizens' subjective expectations is based on the European Social Survey (ESS) data 2018.

The chapter is organised as follows: First, we discuss the ideal-typical features of the Nordic and Baltic welfare state models and how they address the issues of ageing. Then, we look at welfare state expenditure to illustrate the differences between the Nordic and Baltic countries and within each group. This is followed by a summary of the major differences between the Baltic and Nordic welfare models. We then analyse senior citizens' subjective perceptions of their socioeconomic situation and their attitudes towards the role of government in ensuring safety, and whether they correspond to the prevailing welfare models and ideologies in these countries. Finally, we discuss the results and reach our conclusion. The major argument of this chapter is that the state still remains, with variations, a major agent in ensuring the financial security and autonomy of older citizens (Aidukaite, Ainsaar and Hort 2021).

KEY FEATURES OF THE NORDIC (SOCIAL-DEMOCRATIC) WELFARE STATE

The welfare state can be understood as the government's intervention in people's lives through provisions that reduce their vulnerabilities during their life, such as loss of income, childbirth, old age, unemployment, disability and illness, and empower them by providing social services, such as health care, education, social housing and LTC. Welfare state provisions include social security, labour market policies, health care, education, social services and housing policies (Aidukaite, Bogdanova and Guogis 2012; Kemeny 2001; Titmuss 1974; Wilensky 1975). These provisions have evolved in European nations, and have been improved over time and become entrenched into state, market and family relationships.

Numerous studies (for example, Esping-Andersen 1990, Korpi and Palme 1998) have shown that access to welfare provisions varies across countries and nations. The Nordic welfare state or 'social-democratic welfare regime' (Esping-Andersen 1990) has been praised for being the most universalistic and exhibiting the highest levels of solidarity, lowest levels of poverty and inequality compared to the rest of Europe and the world. In the social-democratic regime, the state is the main agent for guaranteeing the well-being of its citizens. All inhabitants benefit from the welfare state, and, at the same time, they are all dependent and, therefore, will presumably feel obliged to pay their contribution/tax (Esping-Andersen 1990, Korpi and Palme 1998). 'The social-democratic regime seeks to emancipate the individual from both the family and the market through generous and universal state-sponsored social rights' (Danforth 2014, p. 166). This means that the state seeks to ensure the economic independence and social security of all, irrespective of gender, class, ethnicity, place of residence and age. In our chapter, age is in focus, namely older age. Governments ensure economic independence and social security for older people through generous pension benefits and the widespread network of social service provision. It is possible to claim that the elderly in the Nordic countries are the least dependent on their families (financially and caring) compared to the rest of the world. As stated by Danforth (2014), the social-democratic regime is committed to social equality through economic redistribution. It seeks to safeguard its citizens' welfare 'from the cradle to grave'. This regime is also committed to full employment and social benefits based on citizenship/residency and earnings. Numerous scholars (see, for example, Alestato, Hort and Kuhnle 2009; Danforth 2014; Hort 2014) have emphasised the state's commitment to deliver extensive and high-quality social services in the Nordic countries. It can be argued that the 'Nordic model' rests on the social investment paradigm. This paradigm seeks to enhance human capital and the potential of the entire population; therefore, it targets all age cohorts, but with an emphasis on the young. It aims to enhance human development and break the intergenerational reproduction of poverty and inequality through high levels of employment. This can be achieved through capacitating social services, lifelong learning/education, family-friendly and gender-sensitive benefits, and active labour market policies (Hemerijck 2017).

To sum up, the social-democratic regime implies high levels of universalism and solidarity across classes and generations, with a stress on public financing, commitment to full employment, relatively strong weight placed on the delivery of social services rather than income transfers compared to other welfare states, and an emphasis on the individual and its emancipation from the family and market. What do these characteristics mean for the elderly population of the Nordic countries? This will be analysed in the subsequent section.

AGEING AND WELFARE STATES IN THE NORDIC COUNTRIES

The Nordic welfare states have become the epitome of ‘the social-democratic welfare regime’. With the initial exception of Finland, their welfare systems evolved concomitant to a rather peaceful nation-building process. The Scandinavian or Nordic countries together with Japan have among the oldest and healthiest populations on earth (Kuhnle et al. 2019). Older people in Denmark, Finland and Sweden nowadays have a strong position in their respective societies, which is reflected in individual well-being, associational configurations and systemic solutions. Ageing and welfare are top priorities in the national as well as local public agendas.

The social welfare approach to old age in the Nordic countries rests on one primary principle and two general public practices. First, an official recognition (in white papers) and respect for a life of dignity and decency long before death, and, after 67 or so, support in cash as well as public support in-kind; the actual retirement age on the rise, averaging round age 63 at present (2018); and policies pushing the age of withdrawal from the labour market upwards. Financial security is ensured through well-developed pensions systems.

The work-first principle has governed the construction of pension systems from the start, although they have been modified over time. In the new millennium, the various central government authorities together with semi-public institutions under the auspices of joint labour market organisations – with earnings-related occupational benefits through nationwide agreements between the major ‘social partners’, employers and the organisations of employees (trade unions) – oversee and deliver cash from intricate transfer systems. Added to this, there are a variety of truly private (banking/financial) schemes operating ‘on the market’ but supported by public partnerships. The latter, ‘private’, schemes vary in generosity and regulatory framework. However, in practice, income maintenance through public–private channels in contemporary Scandinavia consists of a guaranteed income – a minimum pension benefit – for all persons with a residence record of at least 40 years, topped up with various ‘tested’ supplements, housing in particular. Depending on work records, most retirees of the baby-boom generation in the Nordic countries receive an income-related benefit far above the minimum (for more, see Chapter 10 in this volume and Aidukaite, Ainsaar and Hort 2021).

Income security is a central state obligation, while in-kind benefits, whether medical or ‘social’, are delivered by self-governing and tax-levying local governments: municipalities and county councils constitutionally on par. Hence, local government is a key to an understanding of the decentralised character of the ‘Scandinavian welfare model’, the ‘subsidiarity principle’. Almost 1,000

municipalities all over Scandinavia have the obligation to oversee the general welfare and standard of living of the population residing in its respective territories. The services provided are again primarily paid out of local income taxes supported by national equilibrium systems, whereby rich municipalities support the poorer ones. For the elderly, these systems are geared to the ‘most needy’, and take the form of either ‘home help services’ or ‘institutional care’, in some cases even a combination of the two if one partner has to be temporarily or permanently taken care of by a support agency while the other person prefers to stay at home. Health services – whether in-patient at hospital or outpatient – also belong to these systems and are accessible to all residents irrespective of their nationality and are in general provided by county councils (regions in Denmark), though sometimes they are contracted out to private providers.

The Nordic countries have the most comprehensive and universalistic LTC systems for the elderly in the world. The systems are decentralised. Nevertheless, there are differences among the Nordic countries. Denmark has the most universal LTC system. In Denmark, LTC is financed through general taxation and generally provided for free (Kvist 2018). Recently, an ‘ageing in place’ policy has directed the performance and organisation of LTC in Sweden. This has led to a gradual reduction of institutional care. The other important development in Sweden is the outsourcing of public money to the private for-profit care providers. This leads to a strong marketisation of the service care sector with increased competition and diversity of providers (Schon and Heap 2018). In Finland, the entitlement to LTC services is based on residence in a municipality. Services are granted on the basis of an individual needs assessment (Kallioma-Puha and Kangas 2018). It is important to mention that

even though the LTC is a public responsibility, families play an important role (more than in the other Nordic countries) – not only as guides to finding services, but also as helpers and carers. Thus, Finland’s care regime is a mixed one, a combination of public, private and individual provision. A characteristic of this care regime is a strong gender bias in care obligations, and hence gendered employment patterns. (Kallioma-Puha and Kangas 2018: 4)

A previous comprehensive report (Meagher and Szebehely 2013) has also confirmed that ‘market ideas and rationalities have started to frame and shape the eldercare sector in all the Nordic countries’ (p. 241). However, Finland and Sweden are clearly more affected by marketisation than is Denmark. In particular, the for-profit sector is more extensive in Finland and Sweden, and the growth of its share has been faster and large corporations have a stronger position. Yet, the share of for-profit organisations in eldercare has grown significantly in recent decades in Finland as in Sweden (Meagher and Szebehely 2013: 241–247).

To sum up, the Nordic countries provide universal and comprehensive support for their aged. They are provided with income support through universal old-age pensions, which are topped up by the earnings-related occupational benefits (see Chapter 10). Services for the elderly are decentralised and provided by the local municipalities. Health care, home help services or institutional care services are provided universally according to needs and are based on the principle of the subsidiarity. The state is responsible for ensuring the well-being of the elderly. However, recently there has been an increase in market-based private pension insurance. The exclusional elements have been visible, especially in pension insurance, as 40 years of residency is required to qualify for the full pension (Aidukaite, Ainsaar and Hort 2021).

BALTIC WELFARE STATES

In contrast to the Scandinavian/Nordic/social-democratic welfare state regime or model, which is highly researched and internationally recognised and praised, the Baltic welfare state model is hardly visible in any well-established welfare state typologies. In the social policy literature, especially in the earlier writings, the three Baltic states were considered to represent similar cases of neoliberal transition (see Bohle and Greskovits 2007, Lendvai 2008). They were, and still are, ‘blamed’ for being neoliberal economies and neoliberal welfare states, based on their low public spending on social protection, high income inequality and limited social dialogue (see Lazutka, Juška and Navickė 2018; Sommers, Woolfson and Juska 2014). On the other hand, scholars claimed that the three Baltic states were not uniform and their development could not be simply tied to the neoliberal transition. Studies (Aidukaite 2006, Bernotas and Guogis 2006, Kuitto 2016) showed that the three Baltic states do not fall into any of Esping-Andersen’s welfare regimes, and instead argued that they form hybrid cases exhibiting a mix of features taken from liberal, conservative-corporatist and even social-democratic regimes. The most recent study (Aidukaite 2018) indicated that the three Baltic states have developed differences in their welfare state systems. The detailed examination of social security institutions over the recent period (2004–2016) revealed emerging divergent patterns among three countries. It appeared that Estonia has more in common with the social-democratic model, based on its generous parental leave policies and stress on universal child allowances. Latvia has many signs of the conservative-corporatist model with an emphasis on benefiting those participating in the labour market; while Lithuania, with a heavy reliance on means-tested benefits and low replacement rates for the unemployed, shares some similarities with the liberal model. Hence, the three Baltic states are not uniform in their social security arrangements. However, some similar patterns can be identified, if a broader comparison of the Baltic and Nordic countries

is made. As indicated by Kuitto's (2016) study, in all three Baltic states social services are much less developed than in the Nordic countries, and in general they comprise a group of countries which spend relatively heavily on income security rather than services. More details on spending are coming in the subsequent sections.

However, if we want to distinguish the ideal-typical features of the welfare state model of the three Baltic states, it is useful to turn to the earlier studies on Baltic social policy development. Features such as the supremacy of the social insurance system, high coverage but relatively low benefit levels and poor outcomes of the performance of social security systems can be attributed to the Baltic (or post-communist) welfare regime (Aidukaite 2009, 2011). Although at present we observe variation among the three Baltic states in their social policy outcomes and welfare programs, it is still possible to claim that decommodification is not as high as in many developed Western welfare states, meaning that Baltic populations have to rely more on the market and/or family to ensure their well-being and social security. The importance of the state (especially in Estonia) is evident, but the benefits provided and their levels are in many cases relatively low, ensuring only minimum levels of security. This fact strongly affects the social policy outcome indicators. They are still at the bottom of the ladder, with some variation within when comparing them – according to the minimum wage, relative poverty (especially for Latvia and Lithuania, less for Estonia), social security spending, income inequality, satisfaction with life and well-being – to the 'old' and some 'new' European Union (EU) countries (Aidukaite 2019, Ainsaar 2019, Gataūlinas 2013). In-work poverty is also widespread in the Baltic states (see Atas 2019), and this puts a significant proportion of the population at a greater risk of poverty. However, it must be noticed that Estonia stands out compared to Latvia and Lithuania, with its higher benefit levels and wages, lower unemployment, more financially sustainable social welfare system (see Aidukaite 2019) and higher life satisfaction (see Ainsaar 2011).

Overall, the Baltic welfare state is not uniform across the three countries, but general patterns can be identified: heavy reliance on social insurance contributions; relatively low levels of benefits (lower than in the developed Western welfare states); services are less developed than income security programs, and characterised by low social protection expenditures (among the lowest in the EU); and high income inequalities (among the highest in the EU) (see Aidukaite 2009, 2019). The neoliberal welfare state paradigm has dominated the three Baltic states since the fall of the Soviet regime in the 1990s. However, a pattern of social investment can be detected though generous family policies (see, for example, Ainsaar 2019). In the following section we will explore what this situation means for older citizens in the Baltic states.

THE SITUATION OF OLDER PEOPLE IN THE BALTIC STATES, AND WELFARE STATE POLICIES

Older citizens in the Baltic states, as in many other Central and East European countries, could be considered to be ‘a lost generation’ since the fall of the communist regime in 1990s. Their pensions have been heavily devaluated, as well as their labour market skills (namely, the transition from a socialist to a market economy required new skills and education), due to dramatic economic changes, making this group very vulnerable to poverty and social exclusion (Aidukaite, Ainsaar and Hort 2021). This is confirmed by the recent Eurofound report (2019) *Age and Quality of Life: Who Are the Winners and Losers?* The key findings of the report show that older generations experience a lower quality of life than the younger age groups in Eastern Europe, while for Western Europe the opposite is true. The ‘Baltic’ welfare state, as it is described in the previous section, provides only minimal support to its citizens, forcing them to rely heavily on the market and/or family for support. The elderly make up the poorest part of the population in the Baltics. They are more willing to stay in the labour market longer after retirement, and more often depend more on family support than in Western Europe. According to the latest EU Statistics on Income and Living Conditions (SILC) data for 2017, the poverty rate among the population 60 years and over was slightly above 15 per cent in the EU-27, while in Estonia it was 36 per cent, in Latvia above 36 per cent and in Lithuania 31 per cent, making older people in the Baltic states most deprived compared to the rest of the EU countries. The corresponding figures for the poverty rate among the population aged 60 years and over for Denmark (8.3 per cent), Finland (11.4 per cent) and Sweden (14.1 per cent) are among the lowest in Europe. Thus, in the Baltics the elderly, especially those living alone, are often trapped in poverty. It should be mentioned that the aggregate replacement ratio for pensions is low in the Baltics – in Estonia 0.45 and in Latvia and Lithuania 0.43, lower than the EU-27 average, which is 0.58 (Eurostat 2019; see also Aidukaite, Ainsaar and Hort 2021).

To improve the financing of old-age pensions, and to solve demographic problems (rapid ageing, high outworld labour migration), the governments in the Baltic states initiated pension insurance reforms from the mid 1990s. The pension insurance system has gone through drastic reforms over a period of thirty years (for details, see Aidukaite 2006, 2019; Casey 2006). Currently, the pension insurance system in the Baltic states is established with the ‘Three Pillar’ model advocated by the World Bank (for details, see Chapters 11, 12 and 13). At present, it is the first pillar that bears the lion’s share of pension financing. However, the introduction of the second and third pillars shows that the private responsibilities of the welfare systems have increased progressively

in the Baltic states. Despite the numerous reforms of the pension system, the sustainability of old-age pension financing is still a significant challenge in the Baltic states.

Due to the low replacement rate for pensions, many older people prefer to stay in the labour market as long as possible. The Baltic states have employment rates for the population aged 55 to 64 that are well above 60 per cent (ranging from 62 per cent in Latvia to almost 70 per cent in Estonia), while the EU-27 average is 50 per cent (based on Eurostat data for 2019). The Nordic countries have a similar or an even higher employment rate for the population aged 55 to 64, ranging from 63 per cent in Finland to slightly above 74 per cent in Sweden, making them the most employment-friendly for older people (based on Eurostat data for 2019). However, we should keep in mind that the retirement age is lower in the Baltic countries than in the Nordic ones and life expectancy is shorter. In the Baltics, the retirement age is about 63. There is a plan to raise this age to 65 by 2025/2026 for both sexes (Aidukaite, Ainsaar and Hort 2021).²

For the Baltic states, high employment rates among older people are impressive, as age discrimination at work is evident and age stereotypes prevail (see Brazienė 2017, Mikulionienė 2008). Employers prefer younger workers as they believe they have better skills, are eager to learn and have better adaptation abilities than older people.

Health care services are universally provided in Estonia and Lithuania, but their quality is questioned, especially in Lithuania. In Latvia, however, the inequalities in health care are increasing as high patients' fees have been introduced since the 1990s. Given that the elderly need health care most and their pensions are low, age inequities in health are increasing in Latvia (Roots, Ainsaar and Nahkur 2019). Alongside public health care, private health care clinics and hospitals have expanded in the Baltic states. This has created unequal access to health care between those who can afford private health care and those who have to rely on a public health care system, which is characterised by long waiting lists and generally lower quality of services.

LTC services have developed in all three countries since the 1990s. However, they are far from sufficient to meet all needs. The Baltic states have had and still have the lowest share of institutional care among the 75-plus population (Monnier 2007). One obstacle for the development of institutional care is general negative attitudes among the population. These attitudes were developed in the Soviet period and were influenced by the extremely low standards and bad reputation of LTC institutions. Because of high regional inequality and the low density of populations in the Baltic countries, the big regional differences in access to and provision of LTC exist. Municipalities are expected to ensure similar levels of quality and services to those stated in the national laws, regardless of their geographical location, density of population

and available budget. This, however, remains one of the challenges (Aidukaite, Ainsaar and Hort 2021).

The Baltic states have similar approaches in building up LTC systems (see Lazutka, Poviliunas and Zalimiene 2018; Paat-Ahi and Masso 2018; Rajevska 2018). The institutional system for LTC is divided into health and social care systems, and there is a need for strengthening the social and health care policy coordination and implementation of common models for LTC. The health-care system usually provides nursing care, geriatric assessment, services and nursing care at home. The welfare system provides LTC in welfare institutions, day-care services, home care and housing services, as well as other social services run by public or private owners (Aidukaite, Ainsaar and Hort 2021).

One of the particularities of the Baltic countries is the considerable burden on and responsibility of families when it comes to LTC. Although in all countries solutions outside of the family exist, the family is seen as a primary source of financing and practical solutions for LTC. This familialistic approach has prevented the development of a modern solution for LTC. The informal care prevails over the formal care. For example, Estonian family law states that the family is responsible for preventing the need for external help, and although there are options for institutional LTC, often the family is responsible for financing this type of care, or only old persons without a family are in priority positions in the waiting lists for LTC. Only in recent years has the burden of care givers emerged on the political agenda. Also, in Latvia and Lithuania the LTC policy approaches have a strong informal-care orientation based on the family care tradition (Aidukaite, Ainsaar and Hort 2021; Lazutka, Poviliunas and Zalimiene 2018; Rajevska 2018).

The future development plans for LTC for Estonia and Latvia refer to the need to guarantee access to services and avoid poverty (Paat-Ahi and Masso 2018), and to ensure that the quality of life will not deteriorate for a person due to old age or functional disorders (Rajevska 2018). In Lithuania, the main goal is more explicit regarding the increased availability and quality of outpatient rehabilitation (Lazutka, Poviliunas and Zalimiene 2018).

All in all, the Baltic welfare state provides some basic protection for the aged. Everyone is covered and no one is left out. However, the aged have a weak position in the national welfare communities. Their interests are poorly represented in the political landscape of the Baltic states, and they are poorly organised. The major public support is provided by income protection and health care. However, these securities are provided only on a basic/minimal level; they do not ensure the full and equal participation of the older citizens in all aspects of social life. Although there are some LTC services in all three countries, the family plays a primary caregiver role.

STATE EXPENDITURE ON PENSION PROTECTION AND LONG-TERM CARE IN THE NORDIC AND BALTIC COUNTRIES

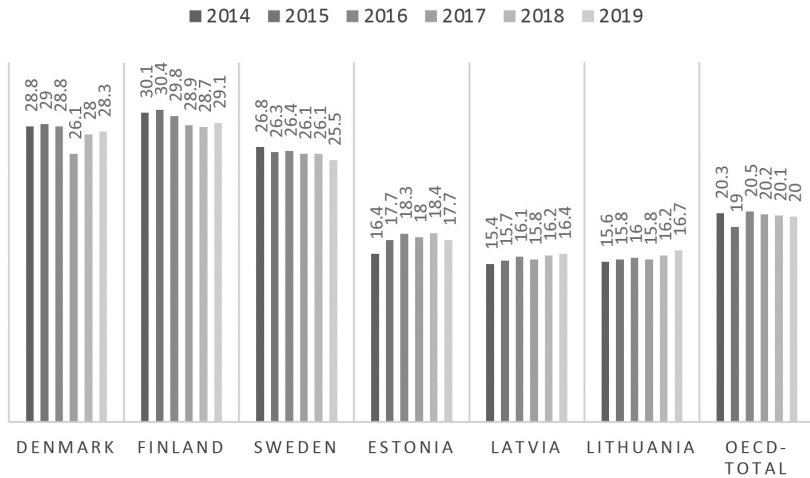
In this section, we focus on aggregate social protection expenditure to demonstrate state commitment to ensure the welfare of the elderly and the differences within and between the Nordic and Baltic clusters.

As stated by Castles (2009), the aggregate social security expenditures do not reveal all the information about the performance of the welfare state. It is still worthwhile to examine overall welfare efforts. A previous study (Aidukaite, Ainsaar and Hort 2021), while examining the trends in social spending in the Baltic and Nordic countries, has identified the patterns that were called a move towards the EU and OECD average. For the Nordics it means a decline in social expenditure, for the Baltics, catching up with the Nordics’.

Figure 8.1 shows the spending on social protection in the Nordic and Baltic countries since 2014. For total public social spending it is noteworthy that at least since 2014 the Baltic states have caught up and are gradually moving from more than 15 per cent towards the OECD average of 20 per cent. For the Nordic countries we can identify a pattern of slow decline in social spending, which is highest in Finland. The social expenditures in Finland went down from 30.1 per cent in 2014 to 28.7 per cent in 2018, with a slight increase to 29.1 per cent (see also Aidukaite, Ainsaar and Hort 2021).

As expected, spending on public pensions as a percentage of gross domestic product (GDP) shows that the Nordic countries spend relatively more than the Baltic ones. In 2019 (the latest available data), Estonia (6.5 per cent), Latvia (6.8 per cent) and Lithuania (6.2 per cent) spent less than the OECD average (7.7 per cent) on public pensions. Nevertheless, there is also a great variation among the three Nordic countries in our analysis. Finland is on top, as it spent 11.8 per cent of its GDP on public pensions; Denmark spent only 8.0 per cent and Sweden was at the bottom with only 7.2 per cent (see also Aidukaite, Ainsaar and Hort 2021; OECD 2021).

The ageing of the population puts great pressure on the social protection systems of both Baltic and Nordic countries. While the Baltic states, resources-wise, seem to have a way to go in adapting to invest in older people’s needs, the Nordic ones are well equipped to solve frail elder-care issues. This is noticeable if we examine public spending as a percentage of GDP on health care. Latvia spent only 6.3 per cent of its GDP, and Estonia and Lithuania 6.8 per cent, on health care in 2019 according to OECD data. This is way below the OECD average (8.8 per cent). Sweden (10.9 per cent), Denmark (10 per cent) and Finland (9.1 per cent) were higher spenders. The Nordics were in the group of the highest OECD-17 spenders, while Estonia and Latvia were



Source: OECD (2021)

Figure 8.1 Trends in social spending in the Baltic and Nordic countries, 2014–2018

at the other end, among the countries with very poor spending on social and medical LTC in 2017. Spending in the Baltic countries was much lower than the OECD-17 average (1.7 per cent), approaching only 0.4 per cent in Latvia, 0.2 per cent in Estonia and 0.9 per cent in Lithuania, while the Nordics spent about 2.2–3.2 per cent of their GDPs on social and medical LTC (based on OECD 2020a, 2020b; see also Aidukaite, Ainsaar and Hort 2021).

The need for LTC is usually related to the health conditions of people and life expectancy. They both determine the relative need and absolute number of people who need LTC. In a European context, the Baltic countries have one of the lowest healthy life expectancies, and the general length of life is short. On the contrary, in the Nordic countries life expectancy is high (Aidukaite, Ainsaar and Hort 2021).

The proportion of people aged 65 and over who receive LTC is fairly small in Estonia (5.7 per cent in 2015), while in the OECD-18 the average proportion was 13 per cent. In the Nordic countries, a much higher share of those aged 65 and over received LTC. The figure was 11.5 per cent in Finland, 16 per cent in Denmark and 17 per cent in Sweden (Muir 2017).

Overall, as expected, the data on expenditures show significant differences between the Nordic and Baltic groups. The Baltic states have a long way to go to reach the level of the Nordic countries (Aidukaite, Ainsaar and Hort 2021).

Table 8.1 Ideal-typical features of the Nordic and Baltic welfare regimes and policies on ageing

Features	Nordic welfare regime	Baltic welfare regime
The main agent in guaranteeing the well-being for the elderly	The state	A mix of state support, family and market
The state approach to ageing	Encompassing view of the life course	Financial sustainability of pension insurance
The aim of the policy towards the elderly	Independence and dignity	Poverty prevention
The level of poverty among the aged	Low	High
The major form of state support	Income support and provision of services	Minimal income support, provision of services is low
Marketisation and privatisation elements in the social security for the aged	Increasing	Increasing
Prevailing ideology of the welfare state	Social investment	Neoliberal
Familialisation in elderly care	Low	High

COMPARISON: NORDIC AND BALTIC WELFARE STATES AND AGEING POLICIES

The analyses provided above show a sharp contrast, or even sharper than expected, between welfare state models and approaches taken by the governments in the Nordic and Baltic countries. Table 8.1 summarises the ideal-typical features of the Baltic and Nordic welfare regimes. The major characteristics of the Nordic model, such as inclusiveness, solidarity, universalism and dignity, have shaped policies for the aged. The state's approach to the aged is defined by an encompassing view on the life course, meaning that the state takes care of its citizens from 'cradle to grave' and prepares and helps them to move smoothly from one stage of life to another. This is in line with the social investment paradigm. The bulk of support for the aged concentrates on the high quality of services, whether health care, institutional care or home care, making the elderly largely independent of their families. Nevertheless, we observe differences among the three Nordic countries in our analysis. Finland follows a more familialistic path in elderly care. In Denmark, Finland and Sweden, the government gives higher benefits for people who have resided for 40 years or more in their country, and they are entitled to a higher old-age pension benefit or housing supplements.

In the Baltics, the state does not provide a comprehensive approach to the life course, allowing a smooth transition from one stage of life to another. The state's support is centred on providing basic income security and health care. However, in Latvia, universal access to health care is declining (Roots, Ainsaar and Nahkur 2019). Other services (institutional care, home care) are less developed in the Baltics. Therefore, the family is an important agent for guaranteeing both income security and care support in old age. Even more, the constitutions of the Baltic states reinforce family dependencies, as it is stated that children are the primary caretakers of their elderly parents (see Chapter 2). Therefore, it is possible to claim that the ageing policies are highly familialised. The 'Baltic welfare state', with some variation among the three countries, seeks to reduce poverty by providing minimal income protection and/or social assistance. Income replacement by the old-age pension is still low in the Baltics. This is not true for the Nordic countries, where the state provides universal basic support to all, and for those who actively participated in the labour market income replacements are higher. However, higher income replacement in the Nordic countries has created a higher degree of stratification among the elderly than in the Baltic states, where pensions are more equalised (see Chapter 12; Medaiskis and Eirošius 2019).

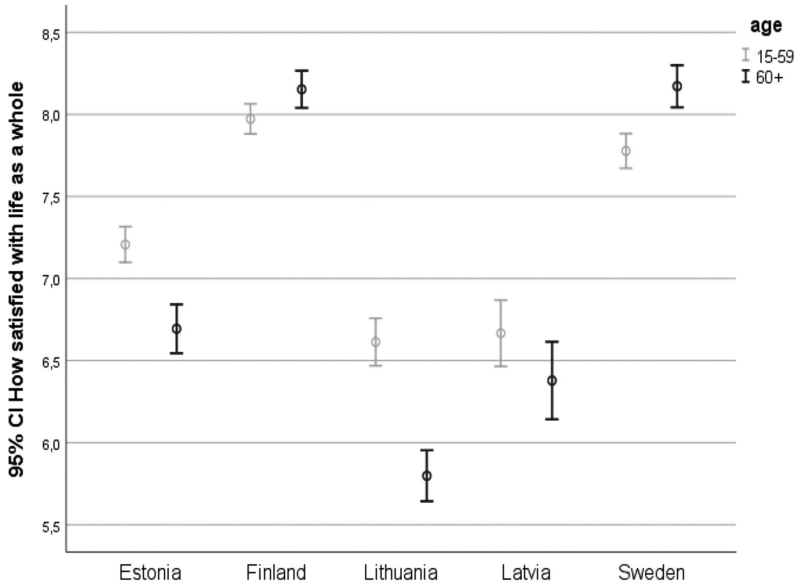
The analyses revealed that the Nordic welfare state is increasingly being characterised by marketisation elements; for example, outsourcing of public services to private providers (Meagher and Szebehely 2013). In the Baltic states we see increasing market domains for pension provisions, health care and elderly care services (see Chapters 10, 11, 12, 13; Roots, Ainsaar and Nahkur 2019). The privatisation and marketisation of welfare provisions for the elderly will likely increase inequalities in the future. This means that unless policy reforms are introduced, both the Baltic and Nordic countries may be faced with more inequality among the elderly in coming decades.

THE SITUATION OF OLDER PEOPLE AND THEIR ATTITUDES TOWARDS THE ROLE OF THE GOVERNMENT

This section reviews citizens' perception of their socioeconomic situation and their attitudes towards the role of government in ensuring a safety net. According to Brooks and Manza (2007), the development of modern welfare states cannot be adequately understood without paying attention to public attitudes. Therefore, we ask: Do public attitudes about the support of elderly and social policy differ in the Nordic and Baltic countries?

We analyse the subjective life satisfaction of older people, assessments of their household income, views on the importance of a strong government for social security and attitudes towards means-testing. All data are analysed

in two population groups: people below 60 and those 60 and over. The age of 60 is selected as an age when people start to make arrangements for their retirement.

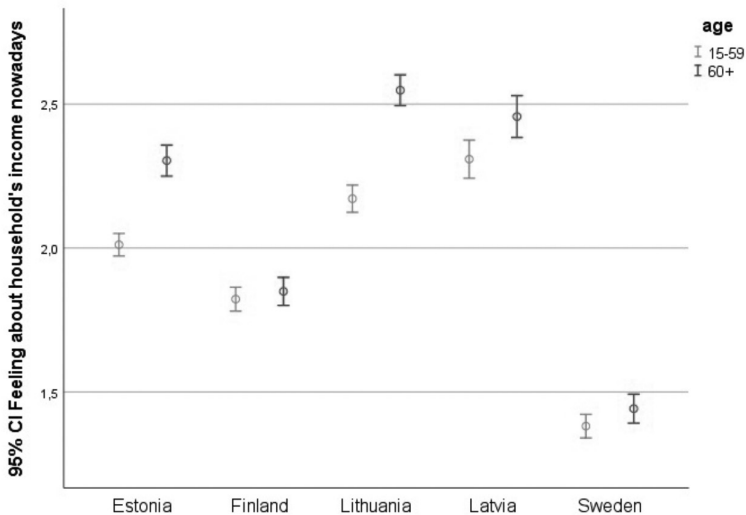


Source: ESS data 2018

Figure 8.2 Subjective life satisfaction (0 – not at all satisfied, 10 – very satisfied)

To understand the situation of senior citizens, we first analyse their satisfaction with life (see Figure 8.2). As expected, the Nordic countries demonstrate higher subjective satisfaction, both for the population below 60 and for older age groups. The subjective well-being in older ages is higher compared to the younger population in Scandinavian countries. The Baltic countries lag behind and demonstrate the negative gap between life satisfaction of older and younger persons. The Baltic welfare state, with its lower level of public safety net, tends to generate lower satisfaction with life among the elderly. Some previous surveys (Ainsaar 2011) showed that income policy and health care in combination with social trust are the most important determinants of well-being of older people in the Baltic countries.

Perceived discrimination because of age is a direct indicator of the welfare of people and attribution of their problems to specific age-related reasons. The ESS data from 2018 do not reveal systematic differences in Baltic and Scandinavian countries compared to the rest of Europe.



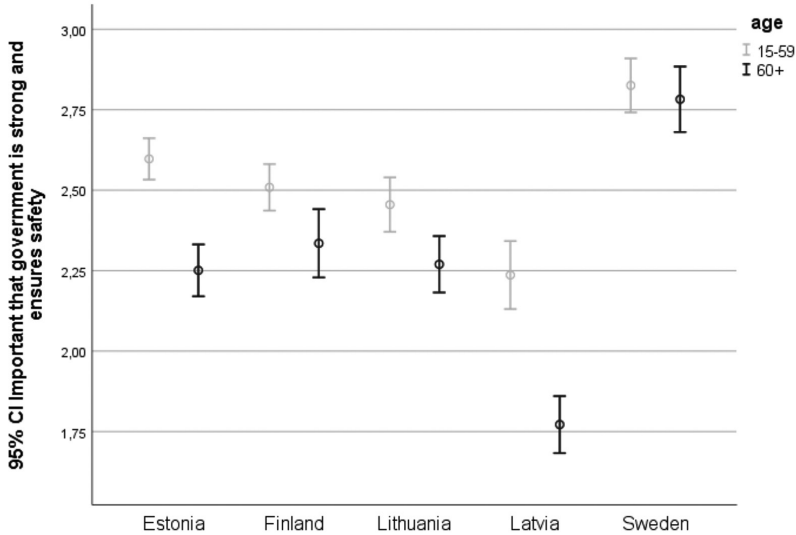
Source: ESS (2018)

Figure 8.3 Evaluation of the household's income situation (1 – living comfortably, 4 – very difficult)

Interestingly, the perceived discrimination does not correspond with the self-perceived income situation of older people (see Figure 8.3). However, as expected there are no differences among older and younger age groups in the Nordic countries, but an essential gap exists in the Baltic countries. On the scale from 1 to 4, the perceived standards of living of pensioners are the best in Sweden and Finland. The situation is worst in Lithuania and Latvia.

We can argue that once the perceived situation is miserable, more people would support government intervention in the social policy field. Figure 8.4 demonstrates the results about the need for safety guaranteed by the government (it is important that the government is strong and ensures safety). We see that the attitudes correspond to a certain level to perceived living standards, but are more diverse. The need for a strong government is lower and does not

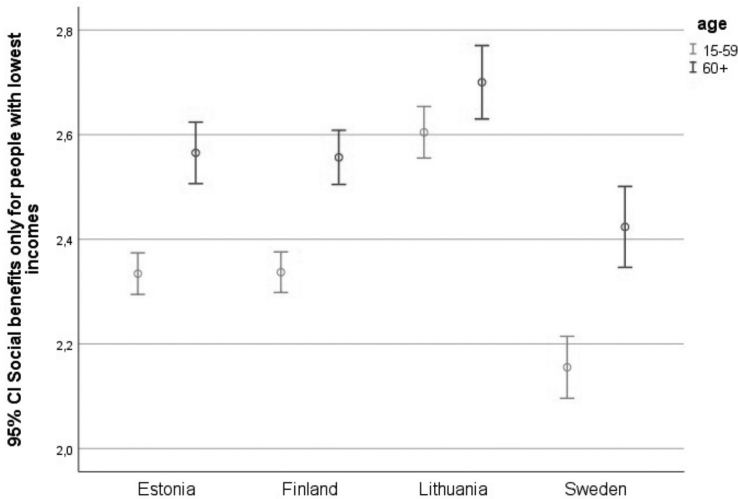
depend on age in Sweden. In Latvia, Estonia and Lithuania, we see first of all essential age gaps where older people support the government much more as a safety network provider. This might be explained by the greater vulnerability of older generations in those countries, which is reflected in the feelings about the household income.



Source: ESS (2018)

Figure 8.4 Important that government is strong and ensures safety (1 – very much like me, 6 – not like me at all)

In order to see whether citizens' attitudes correspond to the prevailing welfare state ideologies and models in a country, we look at the attitudes towards means-testing. The attitudes could tell us which distributional principles the citizens favour. We should expect that in the Nordic countries citizens would be less in favour of means-testing than in the Baltic countries. In all countries older people tend to support more means-tested benefit distribution (see Figure 8.5). Lithuania is the only country with overlapping opinions of older and younger persons. The support for means-testing is generally higher in Lithuania, probably because of the influence of existing practices. In Lithuania, social assistance (benefits and in-kind) has always played a much greater role



Note: No data for Denmark and Latvia
 Source: ESS (2016)

Figure 8.5 Social benefits only for persons with lowest income (0 – strongly against, 4 – strongly in favour)

than in Estonia (see Aidukaite 2009, 2011). Estonia and Finland are very similar, and Sweden has the most universalistic attitudes about distribution.

Overall, the attitudes correspond to the previous discussion about the welfare state models and support for the aged in the Baltic and Nordic countries. In this sense, we can say that, in general, citizens' attitudes comply with the welfare state models of the Nordic and Baltic countries. However, Finland, surprisingly, deviates from Sweden and joins the Baltic group when attitudes towards social assistance, feelings about household income and 'strong government' are examined.

DISCUSSION AND CONCLUSIONS

This chapter has reviewed the development of social policy arrangements to address older people's income security and autonomy through service provision in the Baltic and Nordic countries. The analyses have offered a short overview of pension insurance, LTC and senior citizens' perceptions of their socioeconomic situation and attitudes towards the role of government in ensuring safety. The Baltic states reformed their social policies, often learning from

the best practices in the far north. Now, after 30 years of development, do we find any similarities between the Baltic and Nordic countries?

The findings of this chapter are in line with the previous research (Aidukaite, Ainsaar and Hort 2021) which shows that senior citizens remain in a precarious situation according to objective and subjective indicators. The analyses reveal essential existential gaps among younger and older generations, if poverty and income security are taken into account. The situation is, as expected, more positive in the Nordic countries. However, Finland exhibits similarities with Estonia and Lithuania in terms of the overall satisfaction of elderly people with their household income situation, support for the means test and their attitudes towards the government; namely that it is 'important that government is strong and ensures safety'.

Our analysis confirms that there are some developments towards marketisation and familiarisation of elderly care in the Nordic countries. It also shows that individualisation (service provision based on individual needs assessment instead of universal provision) and familiarisation (a greater role for family care, especially mothers' or daughters' care provisions for a family member) of elderly care seem to be more pronounced in Finland, and this leads to a lower subjective satisfaction of older people with their household income and a higher desire for a stronger state role in ensuring safety compared to Sweden. The support for means-testing is also stronger in Finland – to the same extent as in Estonia – than in Sweden. This can be explained by the fact that care services in Estonia, Finland and Lithuania are granted on the basis of the individual's needs assessment, and this further strengthens the perceived support for the means test in these countries, especially in Lithuania.

Second, our chapter reveals the vastness and scope of the differences among the Baltic and Nordic countries, which have not been documented to the same extent before. Some of the differences are very pronounced, especially in the service sector (LTC) development and its funding. In the Baltic countries, the LTC services are underdeveloped and very poorly financed. Yet familialism is entrenched by law in the Baltic societies. It is stated in the constitutions of Estonia, Latvia and Lithuania that children are obliged to take care of their elderly parents (see Chapter 2). However, the negative attitudes towards institutional care still prevail in the Baltic societies because of the low standards and bad reputations of the LTC institutions.

The pension insurance shows similarities between the two groups of countries as to the replacement rates, financing principles and design. However, the privatisation elements in pension insurance are more pronounced in the Baltic countries than in Finland and Denmark. Sweden shows more similarities with the three-pillar system of the Baltic states than with the Danish or Finnish pension systems (Aidukaite, Ainsaar and Hort 2021).

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NOTES

1. We focus on public support to older adults in the three Baltic and three Nordic states: Estonia, Latvia and Lithuania on the one hand, and Denmark, Finland and Sweden on the other.
2. At present, the pension age in Estonia is 63 for both sexes; in Latvia, 62 years and 9 months for both sexes; in Lithuania, 63 years and 4 months for men, and 61 years and 8 months for women.

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