

The Nordic Welfare State Model and Its Future Prospects: Can It Remain a Sustainable System in Changing Times?

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Summary

The aim of this research project is to gain understanding of the unique Nordic Welfare State Model and to investigate the question of whether it can remain sustainable in the future. The Nordic system has distinct characteristics such as a comprehensive welfare policy, a high taxation policy, high social expenditure to GDP ratio and a high degree of universality that are highly dependent on a high employment rate, political stability and trust. These features enable their system to reconcile economic efficiency and societal equity. However, the Nordic countries are increasingly facing the issue of an aging population, which threatens their system's future sustainability. The Nordic countries are particularly vulnerable to this issue because of the generous and universal nature of their welfare system, their strong dependency on a high employment rate and large employment rate gap between the native and foreign-born population. While several solutions are proposed for this issue, the most promising one is solving it through immigration. From a fiscal perspective, there is strong agreement that this solution is dependent on how strongly the employment rate of foreign-born people increases. The political point of view suggests that it is highly dependent on how the political landscape of the Nordic countries develops over time. Although no significant correlation pattern between anti-immigrant sentiment and redistributive preferences could be observed, there is an increasing tendency

towards anti-immigrant parties in the Nordic countries that could make the immigration solution politically unsustainable. Policy suggestions such as investments in integration and education, which would increase the employability of foreign-born people, are made to strengthen the future sustainability of the Nordic model through immigration.