

The current undermining of the welfare state

"A society that promotes the winners and their interests at the expense of the weakest does not deserve the designation "civilised". The new poverty is being ignored, accepted or covered up by vulgar and seductive speeches about solidarity and fair distribution. The fact is that the large middle class has pulled a curtain over Norwegian reality." **Ivar Brevik**

The Scandinavian welfare society model is built on the principles of poverty eradication and social inclusion. Until recently poverty has not been part of the political agenda in Norway. Most people have taken the benefits of an advanced social-democratic welfare state for granted and expect its continuing progress.

Together with the other Scandinavian countries, Norway has been regarded as a society that has minimised poverty. This has been explained by policies promoting high employment rates and egalitarian wage structures, the strong position of the trade unions, generous, universal social benefits and accessible and affordable basic public services. The state has played a key role in promoting fair distribution and redistribution, in which institutionalised universal welfare benefits (as opposed to targeted minimum support, based on needs assessments) and progressive, generic taxation have been the pillars. The system is oriented towards individual rights and the family plays a minor role in provision of financial support. Comparative research shows that the universal model has been more effective in combating social inequality and poverty than liberal social systems with specially targeted policies based on needs assessments.

Although Norway is fortunate enough to have an unemployment rate lower than that of most countries, social and economic inequalities are increasing. While average wages increased by 15% from 1995 to 1998, official figures show that the corporate fat cats increased their income by 35%. From 1993 to 1999 public consumption increased by 2% per year while private consumption increased 3.6%. The share of government spending was reduced from 52% to 43% of GDP between 1992 and 1999.

In the same period a number of expensive reforms in health and education obliging the local governments to increase their service provision have been introduced. This has created a situation where municipalities with small revenues are practically bankrupt and not able to meet their obligations towards their inhabitants. While a decentralised taxation and government system has created large differences in service provision among communities on the local level, the Norwegian state is wealthier than ever due to its petroleum resources.

When Norway explored large oil resources on its part of the seabed in the 1970s, the Petroleum Fund was established as a pension fund under the full control of the government. The purpose was to secure the future welfare of the Norwegian people. Since then the revenues have by far exceeded any expectations at the time. By the end of 2002 the size of the Fund is expected to pass USD 105 billion. As oil prices are extremely sensitive to international political conditions, the current threat of a war against Iraq increases the Norwegian petroleum revenues by USD 13.5 million per day (according to information from the government).

Thus the "black fortune" increases and decreases according to the whims of the international market. Nationally the political debate focuses on whether to save these revenues for the

future or spend more now to improve the public sector. The Parliament has agreed that spending from the Fund is not to exceed 4% of its revenues.

One man's meat is another man's poison

The Petroleum Fund has been invested in several trans-national corporations and most of these investments have increased the value of the Fund. This is the priority for the Norwegian Parliament, which several times has turned down proposals to introduce ethical guidelines on investments. "Triple bottom line" guidelines would incorporate social, economic and environmental standards, as well as human rights, in investment decisions. Respecting international labour rights such as the rights to organise and negotiate, and the prohibition of child and forced labour would be self-evident in such a framework.

The Petroleum Fund's annual report for 2000 shows that 20% of investments have been in companies that the Global Unions have banned because of their relationship to the military dictatorship in Myanmar/Burma. While the International Labour Organisation (ILO) promotes boycott of the regime known for slave-like working conditions and oppression, the government of Norway chooses to invest there to secure future welfare at home. In a meeting with Norwegian NGOs at the Finance for Development meeting in Monterrey, Mexico, in March 2002, Prime Minister Kjell Magne Bondevik stated that the driving force behind investing the Petroleum Fund is to maximise profit in solidarity with future generations; he avoided the question about international solidarity with today's world inhabitants.

In the spring of 2002 increasing political pressure forced the Parliament to reverse its policy and acknowledge the inadequacy of the Fund's limited regulation on investments. In theory it has been possible to withdraw from businesses whose activities are in conflict with Norwegian International Law obligations or constitute a violation of basic human rights. Hard evidence brought to the public by the national newspaper Dagbladet, however, showed that Petroleum Fund investments had gone to companies producing landmines, violating the International Treaty Norway has signed. This forced the government to appoint an expert group with the mandate of developing a framework for ethical guidelines by 2004. Although civil society groups had been doing the research and advocating for years to put this issue on the agenda, none of their members were included when the expert group was appointed. The group of ten consists of people from business, administration and political backgrounds; many are economists and lawyers (some of whom, in former positions, have argued strongly against the introduction of such guidelines).

Norway has traditionally been one of the most generous providers of Official Development Assistance. In 2002 Norway spent 0.92% of GNP and has agreed to reach 1% by 2005. Over the last ten years Norwegians have earned an international reputation as peace negotiators in a number of armed conflicts around the world, including Sri Lanka, Colombia, Central America and the Middle East.

But now Norway is actively giving military support to the USA-led war, the so-called Operation Enduring Freedom, in Afghanistan. Despite appeals from the UN Secretary General Kofi Annan and the Afghan government for increased peacekeeping forces, the Norwegian government supports American unilateral warfare. The host country of the Nobel Peace Prize is expected to spend more than double the amount on military operations in a war that is being increasingly questioned by the public, than it will spend on humanitarian aid to the war's victims in the same period.

The privatisation crusade

According to a recent survey a majority of voters prefer good public services to tax reductions. Yet we are witnessing a global crusade led by multinational corporations and international financial institutions promoting privatisation. Norway's debate on privatisation of public services has created a deep divide in the Social Democratic movement: those who regard themselves as modern, without any fundamental objections to privatisation, confront those who oppose deregulation and the unlimited power of the market forces. There are numerous examples of outsourcing of profitable public undertakings and services at all levels and in many sectors. Even the cinemas in Oslo, which have been publicly and profitably run, are now going to be partly privatised.

Cleaning of public buildings, sanitation, transportation and nursing homes are among other areas formerly run by local governments that have been opened to competitive bidding over the last decade. Yet the rate of privatisation and outsourcing of local public services has been low in most sectors compared to that of other Scandinavian countries, due largely to strong opposition from the trade union movement.

Home sweet home

Housing is the area where Norway has gone much further in a neo-liberal direction than its neighbouring countries. Up to 1983 there were a considerable number of communal flats in Norway, distributed by the local authorities according to criteria such as seniority rights and need. The conservative government in power, however, strongly promoting private ownership of homes, removed communal regulations and established a system of taxation that favoured home ownership over renting. This deregulation made former rental houses subject to privatisation, but the system put large financial risk on the owners as net capital and mortgages were required. Currently approximately 75% of the population own the flats and houses they live in.

With the removal of public subsidies, rents increased by an average of 35-40% for the country as a whole between 1995 and 2001. In Oslo, rents doubled in the same period. From 1958 and 1999 the share of household budgets spent on housing increased from 13.6% to 24.8% (excluding mortgage instalments).

Current characteristics of poverty

In Norway, people's basic needs for survival are met, but the poor lack resources to sustain a living standard and a level of social participation that is regarded as normal in society. Social exclusion is not equivalent to, but is often a result of, relative poverty. (The poverty line is defined as less than 50% of the median income.)

Notwithstanding its impressive wealth, Norway has growing inequality. OECD Economics Department Working Paper No. 189 showed that compared with twelve other OECD countries only Italy had a greater increase in disparity of income distribution from the mid-1980s to the mid-1990s. Other recent research shows that:

- 17% of Norwegians report that they have problems making ends meet.
- While 3% of ethnically Norwegian children live below the poverty line, the equivalent figure among children from ethnic minorities is 14%. 4% of Norwegian children and

23% of children from ethnic minorities live in families that have received social support sometime in the course of the past year.

- 36% of the unemployed in Oslo are of ethnic minority backgrounds, although minorities constitute only 9% of the city's population.
- Even though Norway is one of the world's best performers regarding gender equality, men are still better paid than women. The average wage for women employed fulltime is 86% of the male equivalent, and the difference has not been altered significantly during the last decade.
- 14% of single parents, of whom the large majority are women, live below the poverty line. This figure is two and a half times higher than in Denmark.
- Life expectancy is 12 years longer in the wealthier areas of Oslo than in the poorest neighbourhoods.

Popular response to the undermining of the Welfare State

Under the pressure of the current globalising economy, with trans-national corporations and the international financial institutions as the most prominent promoters of deregulation, the State's role in providing for its citizens is under attack. The considerable redistribution from public to private production and consumption and the ever-shrinking public share of GDP is causing severe fiscal problems. Neo-liberals blame the problems on the public sector itself, citing its lack of productivity and efficiency. Instead of reinvesting in state capacity, competitive bidding and privatisation are the only solutions they consider. The inadequacies of an impoverished public sector create dissatisfaction. Those who can afford to gradually turn to private services. This undermines the basis for maintaining public services, and threatens the legitimacy and existence of the universal welfare state.

References

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