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FLEXIBILITY AND RESTRUCTURING OF WELFARE STATE AND LABOUR MARKET IN FINLAND

Introduction

A continuing unstable growth of western economies from 1970s onwards questioned the vitality of post-Second World War European welfare state arrangements based on the compromise between land, labour and capital. For example, neoclassical economists and OECD wanted in the spirit of neoliberalism¹ to cure the disease of *euro-sclerosis* by restructuring existing social security systems and increasing the flexibility of labour market.² I will analyse in this paper, were the restructuring and flexibility goals adopted also in Finnish political agenda and how the terms of livelihood of workforce³ altered in Finland after the 1970s. And what Gøsta Esping-Andersen's concept of decommodification of Scandinavian welfare states have meant in Finland?⁴

Unemployment Security Retrenchments

The active retrenchment process of a two-tiered national unemployment benefit system (earnings-related unemployment insurance/universal unemployment allowance, introduced in 1961, fairly modest in Nordic comparison⁵) began in Finland during the depression of 1990s in an era of mass unemployment. The coverage level of unemployment insurance decreased by 3 % and the waiting period of unemployment benefits for labour market newcomers with no occupational education was gradually extended from six weeks to five months. Also the

¹ Mbone, Guy C. Z. 2005, *Neoliberalism*. In Cline Horowitz, Maryanne (ed.): *New Dictionary of the History of Ideas. Volume 4. Machiavelism to Phrenology* New York: Thomson Gale (1625–1628).

² Jessop, Bob–Kastendiek, Hans–Nielsen, Klaus–Pedersen, Ove K. (eds) 1991, *The Politics of Flexibility* Aldershot: Edward Elgar (Jessop etc. 1991), vii–viii; Nielsen, Klaus 1991, *Towards a flexible future – Theories and Politics*. In Jessop, Bob–Kastendiek, Hans–Nielsen, Klaus–Pedersen, Ove K (eds), *The Politics of Flexibility* Aldershot: Edward Elgar (3–30), 3–6.

³ The concept of *the terms of livelihood of workforce* means here the whole set of different ways how the workers may earn their livings from salaried work to unemployment benefits and social assistance.

⁴ Esping-Andersen, Gøsta 1990, *The Three Worlds of Welfare Capitalism* Cambridge: Polity Press, 21–23 and 37.

⁵ Kangas, Olli 2006, *Politiikka ja sosiaaliturva Suomessa* In Paavonen, Tapio–Kangas, Olli, *Suomen eduskunta 100 vuotta* 8 Helsinki: Suomen eduskunta (189–366), 239–250; Edling, Nils 2006, *Limited Universalism: Unemployment Insurance in Northern Europe 1900–2000*. In Christiansen, Niels Finn–Edling, Nils–Haave, Per–Petersen, Klaus (eds), *The Nordic Model of Welfare – A Historical Reappraisal* Copenhagen: Museum Tusulanum Press (99–143), 130–134.

waiting period of unemployment benefits for the people who resigned by their own reasons or denied to do an employment contract even if the net income after travelling costs to workplace remained below the level of his/her existing unemployment benefit extended from six to eight weeks. And the age limit which guaranteed the paying of earnings-related unemployment benefits for older unemployed until retirement rose from 55 to 57 years.⁶

Besides, the eligibility criteria of unemployment benefits for the students and entrepreneurs tightened in the 1990s.⁷ And the connection between the rise of universal flat-rate unemployment allowance and the general wage level dissolved in 1991 which meant that the gap between lowest unemployment benefits and salaries or insurance-based unemployment benefits widened. Since 1999 universal unemployment allowance has been tied in basic pension index, which means that its level follows more the development of prices than wages and thus further decreases its relative level.⁸

The retrenchment development becomes clear by comparing the net incomes after housing costs between different low income groups and average wage earners. The incomes of the people who only are entitled to universal unemployment allowance have decreased in relation to average salaries from the level of 29–50 % to 18–36 % (depending on family status) in Finland in 1990–2011. Same percentages of the lowest earnings-related unemployment benefits dropped at the same time from 39–61 % to 26–45 %, average earnings-related unemployment benefits from 58–77 % to 47–58 % and lowest salaries from 55–70 % to 47–60 %.⁹ And the poverty rate among unemployed rose from 40 to 73 % because the share of unemployed who weren't entitled to earnings-related unemployment benefit rose from 40 to 50 % in 1995–2008 and unemployment strongly concentrated on low paid jobs at least in 2009.¹⁰

Workfare Reforms

In 1996–1998 and 2001 created new active labour market working and training programs, activation measures, which obliged unemployed to work for welfare (workfare model). After 1996 the minimum working period, which entitled an unemployed to receive earnings-related

⁶ Heikkilä, Matti 1994, *Hallittu kurjistuminen vai vahvojen valta?* In Heikkilä, Matti–Vähätalo, Kari (eds): *Huono-osaisuus ja hyvinvointivaltion muutos* Helsinki: Gaudeamus (283–308), 291 and 295; Timonen, Virpi 2003, *Restructuring the Welfare State* Cheltenham: Edward Elgar, 93–94 and 104–105.

⁷ Anttonen, Anneli–Sipilä, Jorma 2000, *Suomalaista sosiaalipolitiikkaa* Tampere: Vastapaino, 91.

⁸ Terveyden ja hyvinvoinnin laitos 2011, *Perusturvan riittävyyden arviointiraportti*. Avauksia 4. Helsinki: Terveyden ja hyvinvoinnin laitos (THL 2011), 19–20 and 36; Soininvaara, Osmo 29.8.2009, *Rajataanko hyvinvointivaltio keskiluokan jutuksi?* <<http://www.soininvaara.fi/>> (30.8.2009).

⁹ THL 2011: 61–63.

¹⁰ Puura, Heli–Kalenius, Aleksi 2011, *Myös ansioturva tarvitsee kohennusta* Helsingin Sanomat 19.4.2011.

unemployment benefit, extended from 6 to 10 months during the previous 12 months. This meant that subsidized jobs in active labour market programs didn't any more guarantee the entry to earnings-related benefits, because their typical length was six months. Also the monitoring of job seeking by labour administration was increased.¹¹

After 2001 also a part of the paying of the social assistance as well as labour market support, which in practice replaced universal unemployment allowance in the 1990s, have depended on the active participation of an unemployed in employment and activation programs or social and health care services. For example individual rehabilitation programs, which have targeted especially for the young unemployed, last until an individual has done salaried work at least ten months. After the late 1990s it has also been possible to reduce social assistance up to 40 % if an unemployed refuses to take part into activation measure. After 2001 also all working-age people have been obliged to register into unemployment register if they want to raise social assistance. And since 2011 it has been possible to cut the social assistance of young people between 18 and 24 years if they have refused from occupational education or interrupted it.¹²

During the participation in activation measures (education, rehabilitation or work training) the only additional income for an unemployed person is a daily extra benefit, which varies at the moment between 9 and 18 euros (to cover travelling and lunch costs). And the paying of labour market support may be conditioned by the participation into workfare measure. This means to an unemployed conditional working obligation for unemployment benefit without the guarantee of decent incomes, because the period spent in activation program only partly shorten the waiting period for the earnings-related unemployment benefit.¹³

Paradoxically, the idea behind activation policy in the 1990s was to increase the supply of the work, even if the demand of work was weak and structural unemployment high. This only enabled the extension of low paid service sector.¹⁴ Activation programs also meant that public and private employees were entitled to cheap workforce, which also weakened the incentive of employers to employ people under the terms of collective labour market agreements. People were also motivated to find jobs by weakening unemployment security,

¹¹ THL 2011: 19–20; Keskitalo, Elsa 2008, *Balancing social citizenship and new paternalism. Research Report 177* Helsinki: Stakes, 100–103 and 105–107; Kananen, Johannes 2011, *Modern societal impulses and their Nordic manifestations* Helsinki: Helsingin yliopisto, 250–256; Julkunen, Raija 2001, *Suunnanmuutos* Tampere: Vastapaino, 183.

¹² Ibid. See also THL 2011: 35–36; Kananen 2011: 243–250.

¹³ THL 2011: 19–20; Julkunen 2001: 179 and 181; Timonen 2003: 93.

¹⁴ Kananen 2011: 263–264; Julkunen 2001: 183.

which itself was partly conditioned by working obligation and partly decreased the amount of job opportunities in open labour markets, even if the main problem in labour market was the lack of salaried work, not for example the laziness of the unemployed.¹⁵

Workfare policies implemented because high unemployment figures, increasing long-time unemployment and extending dependency of unemployed on means-tested benefits (labour market support and/or social assistance) were seen to cause harmful dependency on social benefits, social exclusion and, illogically, led to the emphasizing of the primacy of market-based work as the source of livelihood. The logics behind this policy seemed to be that when the traditional medicine, strong economic growth, did not create new jobs as much as before, there had to be something wrong with unemployed themselves. Also the question of the misuse of benefits became under public discussion.¹⁶

Because the average yearly amount of the people who only have been entitled to universal unemployment allowance, which have always been clearly below the relative subsistence level¹⁷, has been substantial in Finland (lowest figure after the 1970s was 42 000 in 1982, highest in the 1990s over 200 000, still until 2005 over 150 000 and in 2008 121 000),¹⁸ it is hard to estimate anything else than that a remarkable share of unemployed have more or less intentionally kept under substitute level, even if there have been no jobs available in open labour market. It is also worth to note that retrenchments of unemployment benefits have weakened their purchasing power, which has also meant the increasing of the amount of poor unemployed.¹⁹

(De)commodification

According to Gøsta Esping-Andersen the Scandinavian social democratic welfare states were the strongest adherents of the principle of decommodification in 1980. This meant for him that the Scandinavian countries had advanced furthest in a road to guarantee to individuals socially acceptable standard of living even if they chose not to do salaried work, also the market independency of their livelihood. Finland included in this category only because its

¹⁵ Cf. Keskitalo 2008: 118–119.

¹⁶ Keskitalo 2008: 99–100; Kananen 2011:264–268.

¹⁷ Vähätalo, Kari 1998, *Työttömyys ja suomalainen yhteiskunta* Helsinki: Gaudeamus, 80.

¹⁸ Statistical Yearbook of Finland 2010, *Unemployment benefits and employed by labour administrative measures, 2000–2009* Helsinki: Statistics of Finland, 422; Statistical Yearbook of Finland 1999, *Unemployment benefits and employed by labour administrative measures, 2000–2009* Helsinki: Statistics of Finland, 352.

¹⁹ Cf. Kalela, Jorma 1989, *Työttömyys 1900-luvun suomalaisessa yhteiskuntapolitiikassa* Helsinki: Valtion painatuskeskus, 212.

“post-war rise in decommodification”, not because its actual position in Gøsta Esping-Andersen’s classification of different welfare state regimes.²⁰

The idea of decommodification doesn’t mean for Esping-Andersen the stable system of universally paid social wage or guaranteed basic income for every citizen. Instead, he stresses the importance of full employment policy and the existence of earnings-related sickness, maternity, family, education, vacation etc. systems as symptoms of the strong decommodification in Nordic countries.²¹ In this model people get paid according to their labour market performance even if they don’t occasionally do salaried work.

The previous pages show that this interpretation of decommodification has never really fulfilled in Finland, where all the workers haven’t been properly insured against the consequences of the volatility of the markets. And even if it is a subjective question how much cost the necessarily commodities to keep people over the minimum livelihood level and the concept of the level of basic livelihood is prone to increase when the general income level raises, the crude fact is that the net income after housing costs of universal unemployment, sickness, pension and student benefits as well as lowest earnings-related unemployment benefits (in 1995 even lowest wages) have also been 18–38 % below consensually determined minimum livelihood level in Finland in 1995–2010. The gap between those benefits and minimum livelihood level has been widened all that time in all these categories except for earnings-related unemployment benefits despite substantial unemployment figures during previous 15 years.²²

The more precise interpretation of the development of decommodification in the Nordic countries could be in Pauli Kettunen’s words the “process in which the normalcy of wage work was reinforced at the same time as it was made compatible with the universalist principle of social citizenship” referring to “abolishing the constraints and coercions stemming from the *fictitious* character” of the labour as a commodity, not abolishing “the character of labour as a commodity” as such. This meant that ‘the work performance model’ with earnings-related benefits linked to the social rights and social policy inherent in citizenship by “making labour more like a *real* commodity” after the existence of welfare state structures guaranteed that workers could refrain themselves from selling their labour power *at any price*.²³

²⁰ Esping-Andersen 1990: 21–23, 49–54 and 37.

²¹ Esping-Andersen 1990: 28 and 153–157.

²² THL 2011: 10–11 and 66–69.

²³ Kettunen, Pauli 2006, *The Power of International Comparison – A Perspective on the Making and Challenging of the Nordic Welfare State*. In Christiansen, Niels Finn–Edling, Nils–Haave, Per–Petersen,

Labour Market Flexibility

The OECD- and neoclassical economist-driven, neoliberal-spirited flexibility demands of more flexible forms of wage formation, mobility of workers, working times, production systems and hire-and-fire rules rose to West-European political agenda in the 1980s.²⁴ But has the labour market flexibility really increased in Finland?

Flexible Wages

Nationwide negotiation system of collective labour market agreements combined with sector- and company-bound wage drifts guaranteed that wages usually rose at least as much as an average productivity in Finland after the late 1960s. But in the 1990s it became more common to differentiate the salaries of individual workers depending on their personal productivity and their employers' competitiveness as a consequence of increasing local bargaining for example over the parts of salaries and the introduction of more individualized payroll systems²⁵. One symptom of this development may be that the share of working poors (using EUs poverty line) among all workers have increased from 1.9 % to 3.0 % measured after taxation and social transfers in Finland in 1990–2000 and to 4.0 % in 2005.²⁶

It is also worth to note that trade unions have since 1974 in Finland often been satisfied to moderate wage rises partly because of the fact that in incomes policy negotiations governments have promised to decrease income taxation, which have paradoxically partly endangered the funding of public welfare services and thus restricted public employment and at the same time increased capitalists' profits.²⁷ But because this hasn't guaranteed full employment such as in Sweden until the 1990s, only core workers have benefited from this tactics. During the depression of 1990s real wages were also stretched downwards, even if not so strongly than employment.²⁸

Klaus (eds), *The Nordic Model of Welfare – A Historical Reappraisal* Copenhagen: Museum Tusulanum Press (31–65), 60–61; Kettunen, Pauli 2010, *The sellers of labour power as social citizens – A Utopian wage work society in the Nordic visions of welfare*. In Blomberg, Helena–Kildal, Nanna (eds), *Workfare and welfare state legitimacy* Helsinki: NordWel Studies in Historical Welfare State Research 1 (16–45), especially 33–34.

²⁴ Cf. Jessop etc. 1991: vii–viii; Nielsen 1991: 3–6 and 17–20.

²⁵ Santamäki-Vuori, Tuire 2010, *Osapuolet ja sopiminen työmarkkinoilla*. In Suoranta, Anu–Anttila, Anu-Hanna (eds), *Yksin sovittu* Tampere: Vastapaino (17–27), 17.

²⁶ Kauhanen, Merja 2007, *Eriytymiskehitys työmarkkinoilla jatkunut 2000-luvulla*. In Taimio, Heikki (ed.), *Talouskasvun hedelmät – Kuka sai ja kuka jäi ilman?* Helsinki: Työväen sivistysliitto (100–121), 117; Airio, Ilpo 2006, *Työssä mutta köyhä* Janus vol. 14, 3/2006 (294–311), 300.

²⁷ Santamäki-Vuori 2010: 25.

²⁸ Koistinen, Pertti 2002, *Introduction*. In Koistinen, Pertti–Sengenberger, Werner (eds), *Labour Flexibility* Tampere: Tampere University Press (1–14), 6. Refers to Kangasharju, Aki–Pehkonen, Jaakko 2001, *Employment-output link in Finland: evidence from regional data*. In Finnish Economic Papers vol. 14. Helsinki: Finnish Economic Association. 1/2001 (41–50).

Labour Mobility

The promoting of the mobility of labour was already one of the tools of labour market policy during the golden age of Finnish welfare state.²⁹ But the migration and regional mobility intensified in Finland in the 1990s when the country recovered from the deep depression. People didn't only migrate from the rural areas to towns but also from one urban area to another. And 23 % of workers changed also occupation in 1990–1995. Electronics industry and information technology were growing branches at that time.³⁰

Also the share of foreign workers of all permanent workers in Finnish labour market rose steadily from the level of 0.5–1 % in the 1980s to 5 % in 2006.³¹ This is probably a consequence of the establishing of European Common Market and Single Market step by step in 1987–1992 and Finnish EU-membership in 1995. According to the study of Statistics of Finland in 2011 the average salaries of foreign workers especially in low-paid sector remains about 20 percent lower level than the salaries of Finnish workers,³² which may indicate that some employers exploit foreign workers by paying lower wages than collective agreements require.

Flexible Working-times

Flexible working times have been an integral part of Finnish labour market after the late 1970s in a way that the amount of workers has stretched mainly through firings and lay-offs, not through restricted overtime work and general shortening of working times, which was a common feature in Finnish labour market in the early 1970s.³³ This has been a general trend even if annual holidays lengthened from 24 to 30 days and general yearly working time shortened by 100 hours still in the 1980s.³⁴

In the late 1980s it was agreed in some industry-level labour market agreements that it was possible to make an agreement about more flexible working times in a company

²⁹ Kalela 1989: 221.

³⁰ Jolkkonen, Arja–Kilpeläinen, Riitta 2002, *Occupational and Regional Mobility of Labour as a Means to Find Employment*. In Koistinen, Pertti–Sengenberger, Werner (eds), *Labour Flexibility* Tampere: Tampere University Press (101–121), 107 and 114–121; Koistinen 2002: 8.

³¹ *Näin on käynyt* Elinkeinoelämän keskusliitto, EK ja Suomen Ammattiliittojen Keskusjärjestö, SAK 2007 (Näin on käynyt 2007), 10.

³² Helsingin Sanomat 9.5.2011.

³³ Puoskari, Pentti 1992, *Talouspolitiikan funktiot ja instituutiot* Helsinki: Helsingin yliopisto, 96. Refers to Santamäki, Tuire 1987, *Työaikojen kehityspiirteitä Suomessa*. In TTT:n katsaus 4/1987 (3–20), 10–11; Spång, Roland: Työajan lyhentäminen ja työllisyys. TTT:n katsaus 4/1987 (21–28), 21–22.

³⁴ *Näin on käynyt* 2007: 53–54.

level. And in the bargaining rounds of 1993 and 1994 labour market parties generally committed to local bargaining especially in working time issues (if the parties at the local level are unable to make a contract, the national collective agreement will be applied). The working time legislation has allowed after 1996 that national level labour market parties may accept locally more flexible working time arrangements than 9 hours in a day and 45 hours in a week stated in the new law.³⁵ This has meant that in many branches the number of working hours is equalised over the period of one year or six months. The normal annual working time varied in 1997 depending on the branch between 1529 hours (in some services) and 1746 hours (in transport branch) and at the same time the maximum number of daily working hours varied between 9 and 12 hours.³⁶

It is also worth to note that working times doesn't only stretch according to the will of employers. Whereas in 1984 only 36 % of the workers had an opportunity to vary their daily working times at least in a marginal of 30 minutes, in 2008 this percentage was 62.³⁷ Firms endorse their flexibility-needs also through the consent with individual workers according to latter's personal wishes, which depend on different life situations and work orientations.³⁸

Even if there were in the 1990s experiments of shorter working times such as six-plus-six hour shifts in some factors, which showed that it was profitable for the firms to shorten the working time by keeping the salary level stable because of increased productivity, general shortening of working times wasn't implemented in Finland. Conversely, an ideal worker model seems to be a salaried worker or an entrepreneur, who commit to the ethos of entrepreneurship including longer working hours and harder working pace.³⁹ However, some

³⁵ Julkunen, Raija-Nätti, Jouko 2002: *Reforming Working Times in Finland During the 1990s*. In Koistinen, Pertti-Sengenberger, Werner (eds), *Labour Flexibility* Tampere: Tampere University Press (123–151), 127–129.

³⁶ Julkunen-Nätti 2002: 129. Refers to Nieminen, Ari 1999, *Local Bargaining – Practices and Perspectives in Finland*. Paper prepared for the seminar “The New Forms of Local Partnership and Responsibility – the Nordic View. Pribylina, 17th–18th March 1999; Julkunen, Raija-Nätti, Jouko, *The Modernization of Working Times* Jyväskylä: SoPhi/University of Jyväskylä.

³⁷ Lehto, Anna-Maija-Sutela, Hanna 2008, *Työolojen kolme vuosikymmentä [Three decades of working conditions]* Helsinki: Tilastokeskus, 132–133.

³⁸ Julkunen-Nätti 2002: 140.

³⁹ Kettunen, Pauli 1997, *Työjärjestys* Helsinki: Tutkijaliitto, 123–124; Julkunen-Nätti 2002: 135–136. Refers for example to Julkunen, Raija-Nätti, Jouko, *The Modernization of Working Times* Jyväskylä: SoPhi/University of Jyväskylä, 101 etc; Takala, Mervi 2001, *Yritykset ja osa-aikaeläke*. Helsinki: Eläketurvakeskuksen monisteita 33; Anttila, Timo 1997, *Työajan lyhentäminen ja uudelleen organisointi*. Labour Policy Studies 171. Helsinki: Ministry of Labour, Finland.

voluntary and temporary work sharing programs, which funded partly from public sources, established in the mid 1990s.⁴⁰

All in all, flexible working times have meant that labour market have become more insecure for workers and at the same time the solidarity among workforce have weakened, when some people have at least enough salaried work and another suffers the lack of it. National working times turned to growth in 1994 and the proportion of those employees whose regular hours are longer than agreed (41+) nearly doubled from 1995 to 1998 (from 4.7 to 8.8 %) ⁴¹. The statistics based on national labour market surveys also confirms that the share of the employees who doesn't preliminary work in regular daily shifts has declined from 76 % in 1984 and 74 % in 1990 to 70 % in 1997 and 68 % in 2003 and 2008. And the share of people who weren't paid for overtime work rose from 20 % in 1984 to the level of 30 % in 1990–2008 (the peak was 34 % in 1997).⁴²

Flexible Specialization

The demands of the flexibility of labour market were partly based on the need to adapt more flexible forms of organizing production and labour processes in post-Fordist model where exists an uncertainty about the composition and volume of demand, harder competition, procyclical national economic policies and quickly fluctuated exchange rates.⁴³ The principle of micro-flexibility gained support in the firms for instance in a form of just-in-time - production also in Nordic countries in the 1980s.⁴⁴

And even if there are insufficient comparative evidence about the wideness and novelty of the spreading of the practices of flexible specialization⁴⁵ in Western countries, the

⁴⁰ Huttula, Tapio 2010, *Mistä on kysymys?* In Suoranta, Anu–Anttila, Anu-Hanna (eds), *Yksin sovittu* Tampere: Vastapaino 2010 (141–153), 147; Julkunen–Nätti 2002: 133–136. Refers to Anttila, Timo–Tyrväinen, Paula 1997, *Kuntasektorin työaikakokeilut*. Labour Policy Studies 202. Helsinki: Ministry of Labour, Finland.

⁴¹ Julkunen–Nätti 2002: 138–139.

⁴² Lehto–Sutela 2008: 131 and 138–139.

⁴³ Jessop etc. 1991: vii–viii; Boyer, Robert 1991, *The Eighties: The Search for Alternatives to Fordism*. In Jessop, Bob–Kastendiek, Hans–Nielsen, Klaus–Pedersen, Ove K (eds), *The Politics of Flexibility* Aldershot: Edward Elgar (106–132), 113.

⁴⁴ Nielsen 1991: 9; Kosonen, Pekka 1991, *Flexibilization and the Alternatives of the Nordic Welfare States*. In Jessop, Bob–Kastendiek, Hans–Nielsen, Klaus–Pedersen, Ove K. (eds), *The Politics of Flexibility* Aldershot: Edward Elgar (263–281), 279–280 . Refers to Ranta, Jukka–Koskinen, Kari–Ollus, Martin 1988, *Flexible Automation and Computer Integrated Manufacturing in Finland*. Helsinki: SITRA Series A no 86; Julkunen, Raija 2008, *Uuden työn paradoksit* Tampere: Vastapaino, 103 Refers to Niemelä, Jukka 2006, *Tiimityö johdon näkökulmasta*. In Mamia, Tero–Melin, Harri (eds): *Kenen ehdoilla työ joustaa?* Työpoliittinen tutkimus 314. Helsinki: Työministeriö (81–96).

⁴⁵ This term has been developed by Michael J. Piore and Charles F. Sabel and it means the production of a variety of customized goods by skilled workers instead of standardized goods of machinery-driven mass production of semi-skilled workers. See, Nielsen 1991: 12–14. Refers to Piore, Michael J.–Sabel, Charles F 1984, *The Second Industrial Divide: possibilities for prosperity* New York: Basic Books.

major increase of the ‘contingent labor’ (temporary, part-time and subcontracted workers) both in services and manufacturing has been perceived.⁴⁶ When the firms concentrate on their ‘core competencies’, subcontracting and outsourcing of their other activities occur.⁴⁷

Another reason why employers favour the use of atypical workers despite the will of most workers is that they cost in many cases less than core workers. The question is not necessarily about normal salaries but especially lower indirect employment costs based partly on law and collective agreements and partly on the fact that the unions are not able to protect the rights of atypical workers, who are not even necessarily union members.⁴⁸

One consequence of this is that that working times are flexible in a way that employees have right to order employers to work overtime or to use temporary workers or subcontractors whenever they get much orders. Thus, flexibility challenges the idea of Nordic welfare state, which have based mainly on salaried work of active workforce, full employment and permanent full time jobs.

Flexible Hire-and-fire Rules

The data concerning Finnish labour market shows a slow but steady increasing of atypical working contracts during recent decades. According to national labour market surveys the proportion of part-time workers (employees who worked under 30 hours in a week) of all workers rose from 7 % in 1984 and 5 % in 1990 to 8–10 % in 1997–2008. Also the share of fixed-workers of all workers rose firstly from 11 to 18 % in 1984–1997, but fell in the 2000s again to 12 % perhaps partly due to the tightened legislation towards the chaining of fixed-term employment contracts (and the decreasing number of people in active labour market employment measures⁴⁹). The development of the flexibilization of working contracts has been parallel among men and women.⁵⁰

Active labour market measures also have increased the amount of fixed-term workers from the 1980s onwards by replacing some jobs done before by permanent civil

⁴⁶ Wilensky, Harold L. 2002: *Rich Democracies* Berkeley: University of California Press, 51–60; *Growing Unequal?* OECD 2008, 82–83.

⁴⁷ Kananen 2011: 153–154. Refers to Boltanski, Luc & Chiapello, Eve 2005, *The New Spirit of Capitalism*. London: Verso; Castells, Manuel 2004, *The Network Society* Cheltenham: Edward Elgar.

⁴⁸ Cf. Huttula 2010: 141 and 146–150; Tanskanen, Antti 2009, *Vuokratyöläiset tarvitsevat suojelua* Helsingin Sanomat 20.10.2009; *Vuokratyötä selvittäneen työryhmän mietintö* Helsinki: Työministeriö 2007 (TM 2007), 10–12, 37 and 97–101.

⁴⁹ Kauhanen 2007: 102–103.

⁵⁰ Lehto–Sutela 2008: 30–32, 33–34 and 40–42.

servants. These measures easily lead only to the chaining of unemployment and active labour market measures instead of permanent employment.⁵¹

The clearly rising phenomenon in Finnish labour market in the 2000s was rented work: in 1999 there were about 30 000 rented workers and in 2006 about 100 000 (4 % of all working contracts). In 2005–2006 the single labour contracts of rented workers lasted averagely about 80 days, rented workers had averagely three different employment contracts in a year (totally even 415 000 contracts in 2005).⁵² It is also worth to note that the share of permanent full-time jobs of all new labour market contracts decreased from 56–59 % in 1985–1989 to 35–38 % during the years of depression in 1993–1997 and that percentage decreased only to the level of 45 % in the 2000s.⁵³

In the third quarterly of 2010 74 % of all employed were permanent full-timers, but only 31.5 % of the new working contracts made during previous year included in this category. Other categories were permanent part-times (8.8 %), fixed-term workers (13.3 %) and fixed time part-time workers (3.9 %). All in all, in Finnish labour market is according to latest statistics 700 000 atypical workers: 310 000 fixed-term workers (about 15 % of all salaried workers), 201 000 part-timers (10 %), 100 000 rented workers (according to the ministry of employment and the economy) and 160 000 freelancers (in 2008, 7 % of all employees, almost 50 % of all entrepreneurs).⁵⁴ The short-term employment became after the depression of 1990s a typical phenomenon not only for labour market newcomers but also high-skilled workers. And it had become as a normal state of affairs in certain branches.⁵⁵

Freelancers, who employ themselves, are often subcontractors of larger firms. This means that the parent company does not have to pay indirect employment costs and if there are more potential freelancers than demand of their work, it is difficult for freelancers to include to their fees all pension, holiday, unemployment security, sickness and tool costs, which would be paid by the parent company if they had hired these freelancers.⁵⁶ And 10 % of all registered small-scale entrepreneurs are entrepreneurs against their will and the biggest reason behind this is the lack of salaried work. Part of this problem is quasi-entrepreneurship, which means that some companies determine their workers as entrepreneurs in order to save

⁵¹ Vähätalo 1998: 172.

⁵² TM 2007: 17.

⁵³ Kauhanen 2007: 103.

⁵⁴ Palkkatyöläinen 1/2011.

⁵⁵ Jolkkonen, Arja–Koistinen, Pertti 2002, *Short-term Employment – a Stepping Stone or Obstacle to Permanent Employment?* In Koistinen, Pertti–Sengenberger, Werner (eds), *Labour Flexibility* Tampere: Tampere University Press (205–226), 225.

⁵⁶ Palkkatyöläinen 1/2011.

indirect employment costs, but direct their working in a manner of salaried work. Some *hybrid- or portfolio entrepreneurs* work at the same time under many employers.⁵⁷

According to researchers Matti Tuomala and Jaakko Kiander one part of flexibility-idea in Finnish labour market is that it is relatively easy to fire people in Finland compared to many industrial countries.⁵⁸ And rather unique lay-off regulations in Finland means that companies may refrain from paying salaries for their workers even for a long period, even if the employment contract remains valid. Workers are only entitled to unemployment benefits during the lay-off periods.

Consequences of Flexibility

Finnish work life quality surveys show that the share of workers who suffer from harmful hurry at work has increased from 18 % in 1977 to 24 % in 1984 and 30–33 % in 1990–2008. Whereas 13 % of workers thought in 1984 that their mental health was in danger, this percentage rose to the level of 25 % in 1990s and even half of workers have feared to fall in work-related burn-out in 1997–2008. These figures have been explained especially by undermanning, strict target budgets, intensified monitoring and hard competition, which lead to the raising intensity of work (typically for women) and longer working days (typical for men and upper employees).⁵⁹ And even if atypical working times in a day (for example evening- and weekend work) didn't increase in the 1990s, quarterly economy means that everyone's productivity especially in listed companies will be tested four times in a year,⁶⁰ which increases insecurity.

Only the most profitable firms are competitive enough in global markets, because there are countless alternatives to the capital for profit-making. Restructuring and mass firings are also one way to show to shareholders that everything has been done to maximize the profits especially in an era of decreased profitability. This means that workers are familiar with short-termed and fragmented living, constant reorientation, instability and insecurity. The long-span living orientation of Fordist society has replaced by unpredictability of post-Fordist world among the ordinary workers of the different branches

⁵⁷ Kautonen, Teemu (ed.) 2007, *Vastentahtoinen yrittäjyys. Työpoliittinen tutkimus 327* Helsinki: Työministeriö, 5–6 and 8–9; Julkunen 2008: 109.

⁵⁸ Viikkolehti 13.2.2009.

⁵⁹ Lehto–Sutela 2008: 68 and 126; Julkunen 2008: 60 and 211–214. Refers to Järnefelt, Noora–Lehto, Anna-Maija 2002, *Työhulluja vai hulluja töitä?* Tutkimuksia 235. Helsinki: Tilastokeskus.

⁶⁰ Huttula 2010: 143.

in industrial countries.⁶¹ Also the deteriorating and fragmenting of unemployment security in Finland increase insecurity and short-term living in an era of permanent structural unemployment.

It is also worth to note that project work was a common phenomenon in agriculture, forests, docks and construction branch until the 1960s in Finland. In the 1970s wage work became as a typical form of work, in which was combined the ideas of stability of civil servants' working careers and the contractual nature of private sector's working relations.⁶² This meant that the increasing of the different forms of temporary work and unemployment manifested themselves as *atypical* since the late 1970s in Finland.

Conclusions

It is possible to trace back the roots of workfare ideas and activation policy to the neoliberal, neoconservative and communitarian thinking in the US in the 1980s, which have influenced also in Finnish social policy from 1990s onwards.⁶³ In the neoliberal model *active citizens* are capable of managing their own risk, but the high risk people, *targeted populations*, must be directed by the state bureaucrats to fulfil their responsibility to earn their own livings. This means that the social insurance as a principle of the social solidarity between citizens implemented through the ultimate responsibility of governmental agencies to support the weakest people in welfare states will be desocialized and replaced by individual responsibility.⁶⁴

Means-testing and workfare idea root also partly to the municipal social assistance of the pre-welfare state in Finland, when municipal authorities wanted to determine who were 'truly needy' and thus eligible for municipal help and what were the correct levels, conditions and fees of municipal aid (weak universalism).⁶⁵ Furthermore, non-

⁶¹ Julkunen 2008: 106, 114 and 231. Refers for example to the researches of Richard Sennett; Alasoini, Tuomo 2010, *Sovitaanko uusiksi?* In Suoranta, Anu–Anttila, Anu–Hanna (eds), *Yksin sovittu* Tampere: Vastapaino (131–140), 136. Refers for example to Reich, Robert R. 2007: *Supercapitalism*. New York: Alfred A. Knopf.

⁶² Kettunen, Pauli 2010, *Onko elinkeinoelämästä osapuoleksi?* In Suoranta, Anu–Anttila, Anu–Hanna (eds), *Yksin sovittu* Tampere: Vastapaino (29–51), 34. Cf. Suoranta, Anu 2009, *Halvennettu työ*. Tampere: Vastapaino.

⁶³ Keskitalo 2008: 166–199. Refers to Hvinden, Bjørn–Johansson, Håkan (eds) 2001/2007, *Citizenship in Nordic Welfare States* London: Routledge 2001/2007.

⁶⁴ Dean, Mitchell 1999, *Governmentality* London: Sage, 149, 166–167, 171–172, 174, 191 and 206–207; Rose, Nikolas 1996, *Governing "advanced" liberal democracies* In Barry, Andrew, Osborne, Thomas, Rose Nicholas (eds), *Foucault and political reason* London: UCL Press (37–64), 53–55 and 58. Refers to Rose, Nikolas–Miller, Peter 1992, *Political power beyond the state*. *British Journal of Sociology* 43, 2/1992 (172–205), 183; Burchell, Graham 1996, *Liberal government and techniques of the self* In Barry, Andrew, Osborne, Thomas, Rose Nicholas (eds), *Foucault and political reason* London: UCL Press (19–36). Refers to Donzelot, Jacques 1991, *Face à l'exclusion* Paris: Ed. Esprit.

⁶⁵ Blomberg, Helena–Kroll, Christian 2007, *Different rights and duties regarding welfare services: a focus on the municipal level* Helsingfors: SSKH Reports and Discussion Papers 2/2007; Blomberg, Helena–Kroll,

income-related unemployment protection has always contained the elements of means-testing in Finland.⁶⁶

The majority of unemployed were entitled to the earnings-related unemployment benefits almost every year in Finland in 1978–1997 except for some years of moderate unemployment figures in 1978–1988, which meant that the lack of salaried work and/or taking part of occupational training or education were the only qualification conditions to the unemployment security to the majority of unemployed, which in most cases guaranteed either the finding of a new job or at least a decent livelihood. But from the 1990s onwards the combination of tightened qualification rules of earnings-related unemployment benefits, workfare measures and worsening structural unemployment has meant the increasing impoverishment of unemployed in Finland.⁶⁷

Under the pressure of competitiveness and innovativeness Finnish social policy tries at the same time both to increase the incentiviveness of citizens to be active and competitive in labour market and to guarantee their social security, which have in fact lead to the Janus-faced concept of social.⁶⁸ In spite of workfare reforms substantial amount of people have dropped from the labour market or even from the income-related tier of social security. But this doesn't seem to a problem for the supporters of the flexibility agenda, whose arguments are based on neoclassical economic theory, the primacy of economic sphere over politics and the individualization of social responsibility⁶⁹. In this model workers put more easily their entire life at stake in the service of the firm⁷⁰ and the individual worker pays nowadays more often for the rationalization loss instead employers⁷¹.

Discussions of the 1980s about the end of the necessity of salaried work as a base of people's welfare and livelihood as a consequence for example to increased

Christian 2009, *Universal welfare services and the municipal level –Municipal elites as political actors in Finland and Sweden* Espoo, Hotel Korpilampi: Seminar on universalism 23–24 January, 8–9. Refers to Jaakkola, Jouko–Pulma, Panu–Satka, Mirja–Urponen, Kyösti (eds.) 1994, *Armeliaisuus, yhteisöapu, sosiaaliturva* Helsinki: Sosiaaliturvan keskusliitto.

⁶⁶ Cf. Keskitalo 2008: 108.

⁶⁷ Statistical Yearbook of Finland 1999, *Unemployment benefits and employed by labour administrative measures, 1978–1998* Helsinki: Statistics of Finland, 352; Statistical Yearbook of Finland 2004, *Unemployment benefits and employed by labour administrative measures, 1982–2003* Helsinki: Statistics of Finland, 386.

⁶⁸ Cf. Kettunen, Pauli 2006, *The Tension Between the Social and the Economic – A Historical Perspective on a Welfare State*. In Ojala, Jari–Jalava, Jukka (eds), *The Road to Prosperity. An Economic History of Finland. Suomalaisen Kirjallisuuden Seuran Toimituksia 1076* Helsinki, Suomalaisen Kirjallisuuden Seura (285–313), 312.

⁶⁹ Stråth, Bo 2000, *After Full Employment and the Breakdown of Conventions of Social Responsibility*. In Stråth, Bo (ed.), *After Full Employment* Brussels: Peter Lang (11–34), 11.

⁷⁰ Kananen 2011: 152.

⁷¹ Cf. Kettunen, Pauli 2002, *Suunnitelmataloudesta kansalliseen innovaatiojärjestelmään*. In Blomberg, Helena–Hannikainen, Matti–Kettunen, Pauli (eds), *Lamakirja* Turku: Kirja-Aurora (15–45), 20–23 and 39.

automatization were replaced in Finland in 1990s as the tones, which stressed salaried work as an obligation for example to assist to resuscitate the depressed economy. But whereas during the depression unemployment were seen as a consequence of societal development, unemployed themselves were more and more found guilty to their lack of work after the revitalizing of economic growth, even if unemployment figures remained high.⁷²

Thus, it is not wrong to argue, that at least parts of neoliberal ideas have at least indirectly influenced also to Finnish social policy at least from 1990s onwards.⁷³ Although one must to admit that a post-Second World War Nordic combination of full employment policy and earnings-related benefits (when it guarantees to the workers with high- and middle level salaries substantially higher incomes than corresponding universal benefits) is more compatible with the neoliberal idea about the obligation of the people to earn their livings through market, social citizenship based on commodification⁷⁴, than would be for example the system of universal social benefits clearly above the subsistence level or earnings-related benefits with easy qualification criteria.

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⁷² Kettunen, Pauli 2006, *Kilpailukyky-yhteisön rajat*. In Kolanen, Risto (ed.), *Työtä!* Helsinki: TSL (37–48), 44–45.

⁷³ Cf. Keskitalo 2008: 167–199.

⁷⁴ Cf. Edling 2006: 142–143.

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