

# Eradicating Poverty by BUILDING a Welfare Society

## FINLAND AS A CASE STUDY

by HILKKA PIETILÄ

*Does a country first have to become rich before it can provide good social conditions and welfare for its people? Or is it the combination of health, education and other social services which develops the national capability to generate economic growth? Based on the experience of Finland and other Nordic countries, Hilikka Pietilä argues that the two aims are “interdependent and mutually enhancing” — one requires the other. An independent researcher, she is Finland’s “Focal Point” for the UN Institute for Training and Research on Women (INSTRAW) and Honorary President of the World Federation of UN Associations (WFUNA), and was Secretary-General of the Finnish UN Association for 17 years.*

ONE DAY IN THE EARLY 1990S a good friend of mine — a long term-term servant of the United Nations — bluntly remarked: “It is better, Hilikka, that you keep quiet about the Nordic welfare society. It is such a luxury of the rich, the poor countries cannot even dream about it.” This remark annoyed me immensely. Intuitively, I felt that it was not true, but

I did not have a good answer. Now I do.

That remark prompted me to study the history of emerging wealth in Finland and the other Nordic countries. These countries are located very far to the North, in a harsh climate where nature does not permit more than one harvest a year. Furthermore, the Nordic countries never had colonies, from which most of the other

rich countries have extracted their wealth for centuries. However, according to UN statistics of the UN, the Nordics are among the wealthiest and also the most equal and democratic countries.

The common belief seems to be that a country first has to become rich, and then it can provide good social conditions and welfare for its people. But the advancement of the Nordic countries into the welfare societies of today tells a different story. Their wealth has been built by building welfare for their people. The historical supposition is that these countries would not have become well off without bringing about healthy and capable people, and they would not have been able to

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provide health, education and an abundant set of social services to their people without adequate economic growth, i.e. one requires the other.

## WHAT DO WE MEAN BY WELFARE?

The prevailing notions and understandings about welfare differ a great deal from country to country. They range from the totalitarian way of provisioning once practised in the socialist countries of East-

ern Europe to the public charity called welfare in the United States. Even within Europe, welfare is implemented in a different form in each country. We can distinguish at least three perceptions in the popular understanding of the term:

- a) "Being on welfare." This means social support in special cases to those facing particular hardships like disability, poverty, being a migrant or refugee, etc. This is "welfare" seen as a kind of state charity, disgraceful mercy humiliating the recipients;
- b) A distribution system involving direct financial support, subsidies or reductions of expenses in cases of special needs like unemployment, illness, maternity, old age, etc.;
- c) Social security, benefits and services as rights and entitlement of everyone living permanently in the country concerned.

The first two perceptions represent a kind of "a welfare pluralist vision" which is "something very different from the Scandinavian social service state model" as in category c) above, where "social services are social rights, so that every citizen is entitled to services such as children's day care or home help"(Anttonen, 1994).

Anttonen makes a clear distinction between the concepts of social service state and social security state. The Nordic welfare system includes both allowances and services, which are regarded as public utilities and social rights belonging to everyone, not as dis-

graceful mercy to the few. In this kind of a system, people have triple citizenship: economic and social citizenship, in addition to the political one. Therefore, the preferred term for this system is *welfare society* rather than welfare state.

From the women's point of view, it is particularly important that social benefits and services are individual. They belong

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to everyone without distinction as to sex, marital status, labour relationships, income level, race or nationality. Thus, women are entitled to enjoy their social entitlements — for instance, pensions — whether they are married and employed or not. Taxation is also separate, each one paying taxes only according to his or her own income, regardless of the income of the partner.

“All of these concepts (social service state, caring society, women-friendly society, etc) try to make visible the female world in the western welfare states. They do not deal so much with money transfers, but with women's remun-

erated work and women as carers. Furthermore, instead of analyzing labour-capital compromises, these concepts have opened up a way to analyze sexual contracts and compromises.”

“Social and other services are needed to make women full and autonomous citizens. — However, women's path from private to public, from daughters and wives to workers and full citizens, has gone through the welfare state. In countries where there does not exist any established social service state, women's role has remained more traditional.” “Services in kind have been as important as money transfers in equality plans and programmes.”(ibid.)

Finland's leading welfare researcher (Julkunen, 1992) also sees this as a particular expression of the society's gender perspective, which shows how “gender is organized in social structures, cultural meanings and personal identities.” The national differences are embodied in economic and cultural structures, as well as in the national welfare model and employment pattern.

“In an international comparison, the Nordic countries appear exemplary in respect to social welfare and gender equality,” says Julkunen. “The usual indicators of gender gaps or the participation of women in the labour force, education and political institutions place them in the vanguard of developed nations; in some statistics, Finland is the most equal society. In the Nordic societies women have, to an exceptional

degree, been integrated into the male society. Women's and men's status as citizens has become more similar than perhaps in any other country in the world."

Concepts about the State also affect the issue. In Nordic countries the State is a mechanism for redistribution of wealth, rights and utilities. If the State did not perform these duties, no other conceivable mechanism could. The market will never operate for the elimination of disparities and for equalization and justice in the society, but in the opposite direction. Maintenance of the welfare society is therefore very difficult without regulation of the market.

The welfare state as it has evolved in the Nordic countries, is originally based on the long historical and cultural her-

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itage of these countries and has been developed for about a century. Deeply rooted in the social matrix, the founding principles of the Nordic model are democracy, social justice and equality, together with collective responsibility for the well-being of the people living in these countries.

### **EMERGENCE OF PUBLIC WELFARE OVER TIME AND IN POLITICS**

"Socialism failed — it is obvious that the only ideology that works is capitalism".

This was the conclusion of many in the beginning of the 1990s. However, in fact, socialism was not an alternative, but a reaction to the ills of industrial capitalism. Socialism and capitalism, rather than being alternatives, are connected like Siamese twins. They are two ways of being Western, as professor Johan Galtung pointed out in the late 1970s (Galtung, 1978).

It could well be that socialism failed in socialist countries because it was implemented as a social and political ideology of its own, not as the counterforce to capitalism. In the Nordic countries socialism has mitigated the odds of capitalism. Capitalism has been strong enough to produce wealth for the nations, and socialism — leftist parties and trade unions — has been strong enough to control capitalism and give democratic legitimation to the governments to redistribute the wealth for the common good.

The workers' movement has been relatively strong in the Nordic countries since the beginning of the twentieth century; in Finland, dating back as early as the 1906 constitutional reform. The country was primarily agrarian at that time, and the campaign for general and equal franchise politically mobilized the rural proletariat. This gave momentum to the leftist movement and led to rapid unionization along with the emerging industrialisation.

But the most important "third party" throughout the process was Finnish women working within each political party ever since they were granted full

political rights in 1906 — the first country in the world where this happened. Promotion of equality, welfare and democracy, and attempts to eliminate disparities and poverty were obvious interests of women, regardless of their party affiliations (Pietilä, 1995).

All this mutually regulating and balancing interplay of socialist and capitalist forces together with the strong democratic ethos explains why neither socialism nor capitalism, but a Nordic model of welfare society became the prevailing system in the Nordic countries.

In 1994, Polish professor Joachim Messner compared the socialist and capitalist systems and the Nordic and German models of welfare state, and concluded from Polish experience that socialism and capitalism can both be good servants, but neither one is a good master. What is needed for providing a good life for people is a controlled market economy. “As much free market as possible and as much state control as necessary,” was his recipe.

According to Messner, the Nordic welfare system and the German social system use public resources differently and have different constructions and modes of operation. In the Nordic system the main emphasis is placed upon the provision of services rather than monetary benefits. The constantly expanding service sector provides a lot of jobs, thus facilitating employment and indirectly also consumption. The major proportion of social allocations keeps rotating in the

system instead of being channelled directly to consumption as monetary benefits to the needy. It is fundamentally important to realize that the social allo-

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cations are not merely expenses, but productive investments in a healthy society as a basis for an effective and sustainable national economy.

## **PIONEERING WOMEN – SOCIAL DEVELOPMENT FROM BELOW**

Decades before public welfare policies ever started, it was women who started working to raise the quality of Finnish family life. About a hundred years ago the majority of Finnish homes were still living in poverty, ignorance and misery. In 1899 an energetic, patriotic group of well-educated, middle-class women felt a duty to work for economic and cultural advancement of family life in cooperation with women all over the country. They established the Martha organization, which aimed to provide education and training for housewives. Educated women — often teachers and home economists — volunteered as a kind of “missionaries” to travel around the coun-

try, visit homes and women, organize meetings and seminars, and teach and train women in practical and citizenship skills. They shared useful knowledge on, for example, the importance of cleanliness and hygiene, nutritious food, fresh air and good care for the health of children and others. Skills were imparted for child care, cooking, housekeeping, handicrafts, raising chickens, cattle and pigs, growing vegetables and fruits, improving the utilization of berries, mushrooms and wildlife from the forests and fish from the thousands of lakes.

This “Martha method” was very effective in improving the health and well-being of children and families. It did not require big public investments in huge welfare institutions — money was not available for that at the time. It increased the skills and knowledge of rural women, their status in families and communities, and their self-confidence and respect. It also helped women acquire personal earnings at a time when husbands often held family finances totally in their hands, and many women had no access to money except by stealing from their husbands.

This was a time of rising national consciousness and dawning political independence, and another aim of Martha — together with suffragette organizations — was political awakening of women and preparing them for political participation. The 1906 constitutional reform gave women the right to vote and run for office, and training for women in using these political rights was essential. In Fin-

land’s first modern parliamentary election in 1907, 19 women were elected into the parliament of 200 members. Many of these women spontaneously supported all efforts to improve the social conditions of women, children and families.

As from 1907, the Martha organization started to receive state support to cover part of its expenses. Soon the voluntary “missionaries” were replaced by professional extension workers, whose salaries were very low, sometimes covering only their travel and other expenses. However, the social ethos, motivation and vocation within the Martha movement was so strong that even the professionals were ready to work on very modest terms.

Local Martha clubs sprouted rapidly around the country, and in 1925 they organized themselves into the Martha Union, a national central coordinating organization. The regional Martha organizations employed the extension workers for their regions. Evening clubs, courses, fairs, competitions and all kinds of events for women to gain and prove their skills became very popular. The Martha organization as a whole gained prestige and popularity, and participation in Martha work was both a duty and a pleasure for women (Haltia, 1949).

In the early 1920s the organization had over 30,000 members and more than 200 extension workers permanently active around the country. Peak membership of almost 100,000 women was achieved in the 1960s, the latest number being 55,000 in 1997. Lately, a renaiss-

sance seems to be beginning, with young academic women joining and new tasks being undertaken. In recent decades the Marthas also have shared their skills and experiences in long-term cooperation with their sisters in Kenya 1980-90, Zambia 1989-1994, Zimbabwe 1991-1998 and most recently in Burkina Faso.

Given the beneficial impact of home economics extension in the early decades,

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many other organizations also incorporated it in their programs — including the cooperative movement, some women’s political groups, and even communities, towns and rural municipalities. In the period of the 1940s-1960s, the number of people engaged in this work through other organizations was even higher than the staff of the Marthas. Home economics also was included in curricula of public schools in 1941 and has remained there ever since.

The home economics extension work of women’s organizations “stood in for missing social policies” in the 1920s and 1930s (Heinonen, 1998) and helped build the early foundations for the welfare society. The results were seen, for instance, in rapidly falling birth rates,

infant mortality declining from about 11 per cent in 1911-20 to less than 6 per cent in 1941-50, and average life expectancy increasing from about 50 years for men and 55 for women in 1921-30 to about 59 years for men and 66 for women in 1946-50 (Sysiharju, 1995).

Social progress in Finland in the early 1900s proves that national well-being can be built in a popular way without huge public investments. Empowering women, strengthening their abilities, knowledge and competence to help themselves is the way of proceeding towards eradication of poverty. It is social policy from below, building self-reliant and sustainable well-being for the whole nation. According to an old saying, “If you educate a man, you educate a single person. If you educate a woman, you educate the whole nation.”

## **WELFARE SOCIETY THE FINNISH WAY**

In the 1940s and 1950s Finland was by no means a wealthy country. It had just survived two devastating wars in 1939-44, lost about 15 per cent of its territory, and all of northern Finland had been burned down. Almost half a million people from the lost territory — about 12 per cent of the population of 3.6 million — moved and were resettled elsewhere in the country. Enormous reconstruction of the country was required. For political reasons, Finland would not accept U.S. Marshall Plan assistance for reconstruction of Europe (Jutikkala & Pirinen, 1973).

However, the issue was not only the consequences of the war, but very much

one of underlying underdevelopment and poverty. The most descriptive information about the misery and poverty still prevailing at that time can be found in reports by the United Nations Children's Fund (UNICEF), which provided significant aid after the war until 1954 (Osman, 1991). World Bank financial support continued until the mid-1960s, when Finland was still more a recipient than a contributor in multilateral cooperation.

Although social welfare values and principles have deep roots in Finland and were emerging into a conscious political process after the second world war, the first theoretical foundations and systematic plans for national social policy were drafted in the early 1960s by professors Heikki Waris and Pekka Kuusi (Kuusi, 1961). For them, a consistent social policy was needed to assure and speed up

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economic growth and equalize the distribution of its gains and benefits. The improvement of people's lives was seen as a means for sustaining economic growth and achieving the common good of the whole nation. It was realized that these aims are interdependent and mutually enhancing, that sustainable economic growth was not possible without healthy and capable people, and that the

advancement of people's well-being was not possible without economic growth.

Swedish welfare researcher Assar Lindbeck sees the Nordic welfare system as the most effective way of organizing care, creating social security and promoting equality. He considers the fact that people are taken care of “from the womb to the tomb” as one of the triumphs of Western civilization. Describing the characteristics and policies of the Finnish welfare society as a case study will help to show how it fits this picture.

### **Allowances and services**

The Nordic welfare system provides both allowances and services as individual rights and entitlements to all residents living permanently in these countries. In Finland everyone is individually entitled to:

- a minimum salary or basic unemployment benefit;
- child support allowances for all children until 17 years of age;
- paid parental leave for 44 weeks and thereafter unpaid child-care leave until the child becomes 3 years, with guaranteed resumption of the job;
- general pension and a personal minimum income (since 1985);
- statutory employee pension in proportion to earlier income level.

Everyone also has the right to

- free education up to university level;
- free school meals to all pupils in public comprehensive schools

(since 1943);

- highly subsidized public health services and hospitals;
- free maternity and child care for all mothers (since 1944);
- day-care services for all children under school age, fully completed in 1996;
- various forms of highly subsidized care for the aged.

This list only gives an idea about the major rights and benefits available for everyone and is by no means exhaustive. In addition, there exists quite a number of allowances, benefits, forms of support and reductions of various kinds.

In fact, from the point of view of people, the welfare system here is a life-long social insurance, an insurance to guarantee people that whatever may happen to them, their children will not be denied education, their families will not be left at the mercy of relatives or charity organizations, no one will be abandoned in case of illness, accident, unemployment or bankruptcy, and everyone will have some old-age security regardless of their own entrepreneurship or employment.

The welfare society thus provides a reliable safety net in case of any kind of collapse in life. People automatically use their entitlements whenever they need to. Therefore open poverty and misery are almost nonexistent in Finland. However, due to neoliberal policies, people are now increasingly left on their own, which makes the safety nets even more important.

### Third parent in the family

A basic point of departure and original goal of the founders of Finnish social policy was to equalize living standards and purchasing power between those who raise children and those who do not (single adults or couples without children). Highly progressive taxation means that people with higher salaries and no dependants share the costs of family and child care expenses and other public services needed for families with children.

Regardless of marital status or employment status, women have individual social entitlements and access to the services listed above. These are the most important means for women to participate in working life, achieve economic independence, and have a family and children without too much extra burden. In practice, the child and family allowances and child-care services mean that the state shares with families the expenses and workload of having children. Therefore, the state is in a way a third parent in every family.

The most important single factor enabling women to control their own lives is liberal legislation concerning reproductive health and family planning services. In 1970 a new Abortion Act eased the conditions and procedures for legal abortion. Also, dissemination of family planning information — education and contraceptives — was significantly improved through maternity and sexual health clinics and through schools for teenage boys and girls. The effect was

that illegal abortions vanished entirely, teenage pregnancies have become very rare, and the abortion rate in general has gradually declined to one of the lowest in the world.

All these services and facilities create a setting where women have the choice and opportunity to enjoy their social, economic and political human rights equally in all walks of life. Women have a choice whether to have children or not, at what stage of life to have them, and how many to have. These kinds of social policies also bring women into the labour force as contributors to national economic growth. Such “feminization” of society is sometimes described as “state feminism” run by “femocrats”, meaning feminist bureaucrats in public service. On the contrary, the femocrats see that progress is slow and that it occurs in response to the initiatives and aspirations of women’s movements and organisations.

### **The image of the State?**

In advancing socioeconomic equality in the Nordic countries, the welfare principles are also embodied in macro-policy measures which for decades have promoted equality between people living in different regions of the country and working in various professions. Among those implemented in Finland are the following:

- effective regional policies regulating domestic development, which aim to keep the whole country inhabited and provide people all over the country with livelihood

opportunities which are as equal as possible;

- a good public transport system, with roads, railways, and subsidized tickets on trains, buses and air traffic helping to decrease the need for private cars;
- decentralisation of free universities to ten cities around the country;
- public comprehensive schools, upper secondary schools and vocational training of equal quality available in the whole country;
- an efficient and comprehensive adult education network;
- excellent public libraries all over the country;
- highly subsidized theatre, music and arts made available in all cities.

These features indicate that the ideals of welfare and equality penetrate the entire social and political matrix in the Nordic model, which is much more than merely a system for social security and support. Interestingly, women form the vast majority of those who use these learning and cultural facilities, filling evening schools and theatres, while men are primarily interested in sports and games.

No wonder that the image of the State in the minds of Finnish people has been generally positive, unlike other parts of the world, where the State can be seen as an antagonist or even an enemy of people. This is also partly due to the fact that the Nordic states have relatively small populations, and people can feel that their will is genuinely reflected in the

decisions of representative political organs. Also accentuating this feeling is the local government system, which gives municipalities significant power to decide on policies at the community level.

### **Where does the money come from?**

In the early 1960s a special consensus or unwritten social contract emerged between capital and labour in Finland. The Employers Union and the Central Organization of Trade Unions agreed to seek an annual general agreement through collective bargaining on wages and terms of employment. This agreement then constitutes a binding framework for employment relations among all contracting parties. Both employers and employees felt they gain from peace in the labour market, which then helps the economy to grow steadily. In a way, they legitimate each other's aims and agree annually on how the cake is shared.

This consensus was warmly blessed by the government. It implied that tax revenue will grow steadily, and government can proceed in building the welfare society. In fact, the mechanism which grew from this system has been operating fairly smoothly for decades and has assured constant economic growth. There was also a consensus in the parliament for necessary legislation to further social advancement.

The main financing source for the welfare system is the contributions which employers have agreed and are legally obliged to pay. Contributions are based on the payrolls and have increased total

labour costs by up to 60–70 per cent at their height, in the early 1990s. Another major source is the highly progressive taxation on salaries and wages, which is also the most important means of effectively equalizing income distribution between people. Taxes take as much as 50–60 per cent of salaries and wages, depending on the level of total personal income.

In addition, building and maintaining the welfare society also called for extensive and strong measures to regulate the economy. For decades, these were a “normal” and important source of public revenue in most countries; in the Nordic countries, they were a crucially important part of development policies from the 1940s to the 1980s. In Finland the regular measures for governing the economy were:

- regulation of currency rates and transactions, devaluations and revaluations as the ultimate means of adjusting terms of trade according to the needs of export industries.
- regulation of export/import trade through licence systems, legal protection for Finnish products and domestic industry, regulation of prices and purchasing power in the domestic market, protection and subsidies for agriculture, etc.
- high purchase and import taxes on alcohol, tobacco, petrol, cars and other luxury products, thus also regulating the amount imported of such products.

These measures and policies governed development and extracted resources

from the constantly growing economy for gradually expanding social security benefits, education, health care, child care, old age support systems and cultural services, transport and other public services. In the 1990s, however, development policies and directions in Finland and other countries in Europe were changed as a result of the liberalisation of capital and trade, the free movement of labour, goods and services, membership in the European Union, and the constraints and rules of the European Economic and Monetary Union as regards economic policies. These trends have created a lot of pressure for dismantling the welfare system.

### **Investments in welfare enhance the economy**

As stated earlier, money rotates differently in the Nordic social systems than in other European systems. In Finland, public welfare services and institutions create a huge public sector which employs hundreds of thousands of people in caring for, educating, serving, and transporting other people. These jobs are not affected by mechanization and automation, which can decrease employment in other sectors. The better this sector is developed, the more jobs it provides.

People in social sector work have meaningful jobs, earn their livelihood and use their incomes for their housing, clothing, food, services, etc. This way the money invested in the social institutions keeps rotating, creates jobs, demand and consumption and thus also maintains additional jobs, and gives rev-

enues to the state through the taxes paid by these people.

In fulfilling their tasks the big social institutions — like schools, hospitals, institutions of all kinds — also create a lot of demand for goods and products which they consume in their functions. This demand relates, for example, to the school meals for about 500,000–600,000 pupils in basic and secondary education, and about 200,000 students in universities and vocational training institutions every weekday, as well as the premises, facilities and personnel of day care and pre-school centres for approximately 200,000 children below the school age. There are also a few hundred thousand people working in the administration of the social system. As long as highly needed services are maintained as a public system, the state can guarantee their availability and functioning. They can be developed according to the national needs and their availability and equal quality be assured.

In Finland, the public system has produced very economically the services needed by the whole society, and particularly by those who could not afford to buy them from the market. As a whole, the public sector constitutes a huge buffer zone in the national economy, both as provider of jobs and services and as creator of demand and purchasing power.

As the result of decades of systematic policies and work for welfare and equality, Finland has become one of the most wealthy countries in the world with a highly equal distribution of wealth. A

long-term assessment published in 1997 indicated that in the last 25 years income disparities have declined not only between people, but also geographically between the regions of the country. Income levels of people have been about the same whether they live in the centres or peripheries.

Equality was even preserved during the recession at the beginning of the 1990s, as shown in an assessment led by professor Heikki Loikkanen: "The recession was a very harsh test upon the welfare society, but it passed well. The gap opening between the income groups was effectively avoided by way of taxation and transfers of income between the social groups," despite the huge gap which opened between the unemployed and employed in the society (quoted in the Finnish newspaper *Helsingin Sanomat*, 12 April 1997).

The present trend of privatization turns the process around. The availability of services will depend on demand with the consequence that services disappear from areas where the population is more sparse, less wealthy and more needy. Even the quality of private services varies according to their price: those who can pay more get the better services. These transformations produce increasing disparities between people and regions.

### **The backlash has broken through**

The highly developed welfare and service society described above was very much the reality in Finland until the early

1990s, but is at risk in recent years. The liberalization of capital transactions in the late 1980s meant that private companies gained new leverage, and Finland had to increasingly open its economy to international competition. The economic globalization process in Europe takes place under the auspices of the European Union, with Finland becoming a member at the beginning of 1995. In order to qualify for membership, the Government started the austerity measures in advance. The recession and the requirements of the European Economic and Monetary Union have served as appropriate excuses for demands to dismantle the welfare state. EMU requirements have served as a disguise for the interests of business companies. The liberation of monetary traffic and trade and the pressure of the globalization process have been felt profoundly in the economy.

Power relationships in the society have changed dramatically. National governmental and parliamentary systems have been intimidated in circumstances where power is internationally centralized within European Union structures and increasingly transferred to commercial structures which do not recognize any democracy. Deregulation has given full freedom of operation to business companies, and competitiveness and cost-effectiveness have been made a rule not only in business, but even in hospitals, schools and universities. The new rules in the economy have also resulted in a very high unemployment rate becoming a long-term phenomenon.

In this situation, the power relationships between corporate employers and trade unions have also become very different from what they used to be. The corporations derive strength from the international capital base and the expansion of their operations, but the workers and trade unions are in the unemployment trap and can only retain a defensive position. The formerly equal consensual arrangements are eroding.

Women have seen this development as a backlash against equality and democratization. The cuts and public savings have in particular hit the interests of women, both the social services they need and the jobs they have in the public service institutions. Austerity measures continue even though the economy has until lately been making records.

Thus the issue for the future of the welfare society is not about a lack of resources, but about the terms and conditions of the neoliberal rules, terms and conditions of the whole globalized trade and economy. The old conflict between capital and labour — in fact between capital and people — is again here.

### **BUILDING A WELFARE SOCIETY – A WAY OF BECOMING WEALTHY?**

Today the discussion on welfare systems — their viability and options — often proceeds without any understanding of and reference to the economic history of the countries concerned. The simplistic conclusion can be that the welfare society is just the luxury of the rich, and the poor

cannot even dream about it. But looking, for instance, at the history of the Finnish welfare society gives another picture.

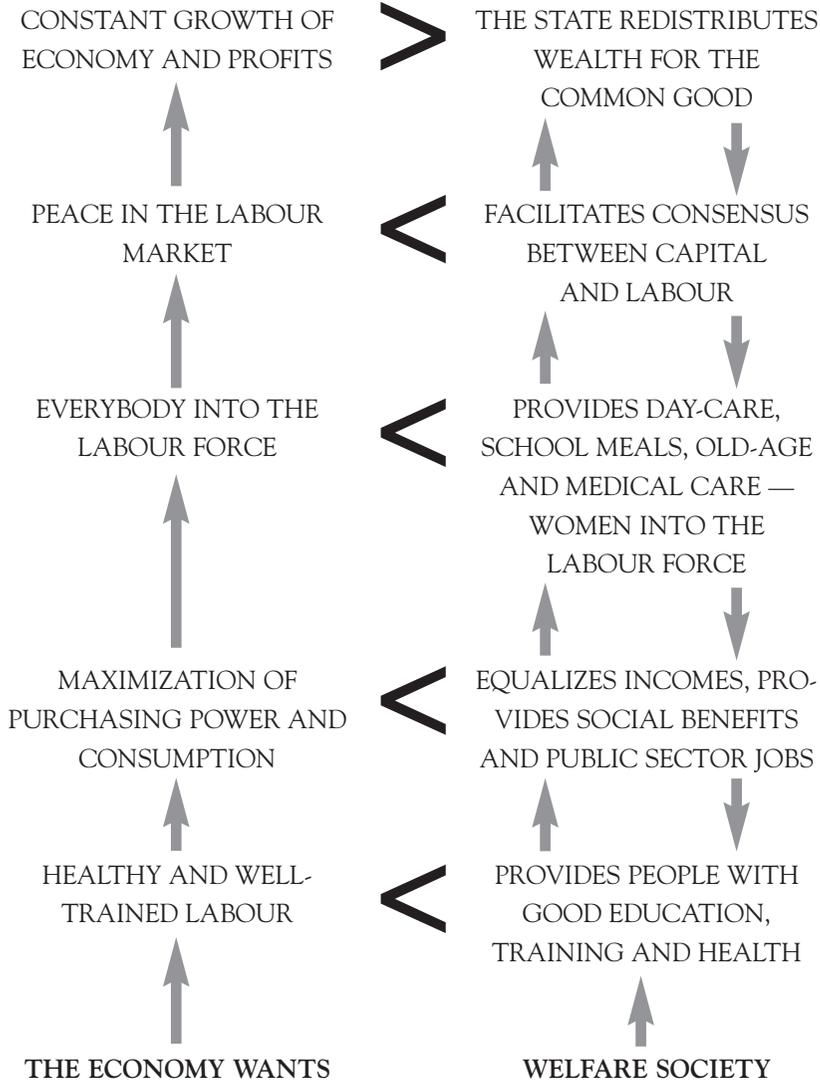
In the last century, great advances were achieved in people's lives simply by the work of assiduous and committed women on a massive scale. Then we saw how the constructive interplay between capital and labour created the prerequisites for constant economic growth and socially conscious distribution of increasing wealth. It was also the framework for broad political support to and democratic legitimation of the necessary legislation for social advancements.

In figure 1 the interplay between economic growth and the proceedings of the welfare system is described. Reading the picture from bottom to top, shows the process of economic growth on the left, and the main components of the welfare system gradually emerging on the right.

As we have seen above, the Finnish system had an early focus on free basic education for all and various measures for improving the health of people nationwide. This enhanced the availability of educated, healthy labour for expanding industry and production. The measures for levelling incomes (progressive taxation, social transactions like child and family allowances, etc.) effectively equalize purchasing power in the society and thus maximize consumption capacity to the advantage of the economic growth.

Through the provision of day care, school meals, old-age and medical care in the appropriate institutions, the welfare

**Figure 1—INTERPLAY BETWEEN ECONOMY AND WELFARE**



Graph: Hilikka Pietilä

society liberates women into the labour force. Thus all possible human capacity is made available for the production system. Women themselves willingly take the

opportunities to make their own living and acquire economic independence. With their earnings they for their part increase the purchasing capacity of the

society, thus contributing both to production and consumption.

The redistribution of economic benefits and advancement of justice and equality has facilitated the consensual bargaining between capital and labour and led to a very particular social contract, as described above. This has guaranteed peaceful development of economy and market. In the skilfully regulated circumstances, the efficiency and productivity of the industry has constantly improved, also providing increasing profits to the entrepreneurs.

Furthermore, due to the consensus between the social partners, the government has been able to bring forward the legislation necessary for financing the welfare system. Through all these measures and policies the benefits of the economic growth are redistributed in kind and in money to members of society in relatively equal measure.

As outlined in figure 1, economic growth, increasing wealth and gradual construction of a broad welfare system are parallel processes, which proceed in mutual interaction and enhance each other. Productivity and efficiency in industry and business cannot be increased without healthy, educated and well-trained people. And without sustainable wealth the comprehensive welfare society cannot be maintained. This is a simple axiom and recipe for successful progress toward a balanced and healthy society.

Another axiom is that a society cannot leap into sustainable wealth and well-

being. An advanced welfare society can only be achieved through a process from below, democratically and together with the people. Both the economy and people need to grow, and the growth and maturation of a nation take time through generations — and this takes patience, persistence and assiduity, as well as respect, love and understanding of people.

## **WE NEED A NEW SOCIAL CONTRACT**

It is important to realize that from the economic point of view, constant, endless growth is not possible, and from the social point of view endless growth of welfare is not necessary. There are natural limits to the material needs of people and society. In a society where demographic development has been balanced, it is possible to see where and when the social needs and services become complete, for example when there are facilities in schools for all children of school age or in day-care centres for all children under school age — though there is always room to improve the quality of the services.

Economically and socially, a society can reach bliss, and then the purpose is to maintain the necessary institutions and live in harmony with the natural environment. Culturally and personally, growth can continue throughout our lives, and each one of us can reach the level of humanity allotted to her or him as a human being.

In recent years the UN and the international community have been alarmed more than ever before by increasing

poverty and growing disparities between countries. In 1995 the UN summoned the World Summit for Social Development in Copenhagen for the eradication of poverty. It is tragic that the approach to poverty in these conferences and international debates is still based on the mistaken assumption that there is a single separate malaise which can be eradicated without interfering in the world economic system, the policies of global corporations, and the strong economic blocs of states.

This approach is false and hypocritical. Poverty is a pernicious plague as long as the international community will not tackle the world economic structures and

*Poverty is not a single separate malaise which can be eradicated without interfering in the world economic system, the policies of global corporations, and the strong economic blocs of states.*

the policies of the rich, the strong industrial countries and the trade blocs. We don't need the further liberalisation of the global trade and commerce. We need policies for regulating them in favour of equality and justice in economic relationships at all levels. We need policies and measures for making the rich countries and global corporations accountable to the international community and peo-

ple around the world, and obliging them to take their part of the responsibility for the future of humanity.

Creating welfare is not a business — it is a human necessity. If the welfare of people is ignored, if caring, nurturing and education fail, if reproduction fails, everything else will collapse too. Therefore we need a new kind of Social Contract — of a global nature — between Capital and People, a contract which will ensure that a fair share of the gigantic profits of the corporations is allotted for the common good, for the welfare of people. We also need to redefine and renew the methods for the redistribution of wealth to the people in a way which reflects true human needs, and aims at global social justice and sustainable utilization of natural resources. ■

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