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Nordic Lessons for the 21st Century: Strengthening Welfare Governance through Scandinavian Practices

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ABSTRACT

This research aligns the governance model of the Scandinavian welfare system as a benchmark for balancing social justice, economic competitiveness, and institutional legitimacy in the 21st-century policy. The Scandinavian countries, which lean on universalism, high social trust, and transparent governance, have developed welfare systems that ensure social protection not as charity but as a human right. Their model interlaces strong state power, inclusive public services, progressive taxation, and a political culture of participation to create a system that substantiates both equality and growth. Taking an interdisciplinary view that merges political economy, institutional theory, and capability-based development, the research investigates how the Nordic countries incorporate universal education, healthcare, and social security in a market economy that is competitive. Moreover, the study talks about the difficulties that the states are facing such as demographic pressures, immigration, and fiscal sustainability, thus, depicting welfare governance as a flexible, ever-changing framework rather than a fixed one. The study by contrasting these results with India's incoherent welfare scenario, highlights the points where India can learn from the Nordics—such as by raising institutional trust, investing more in human capital, building trust through transparency, and executing rights-based welfare policies. The article, however, conveys that India should not imitate the model but only take a cue from it, arguing that India has to localize these lessons to its demographic scale and socio-economic diversity.

The research, in effect, becomes part of the worldwide debates on welfare governance by showing that just development can take place when social protection, economic efficiency, and institutional integrity are in harmony. The Scandinavian journey is a signal that welfare governance is more than just a means for redistribution but an essential way for the expansion of freedoms, the assurance of dignity, and the establishment of resilient, future-ready societies.

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I. INTRODUCTION AND BACKGROUND

Welfare governance is a global dimensional governance strategy that integrates social protection, social justice and inclusive growth in a market economy context². Compared to typical welfare regimes, which are properly focused on the redistribution of wealth but not necessarily on promotion of growth, welfare governance is more likely to deliver equalization of the power of the state, competitiveness of the market, and equitability of the society under a complicated, but integrated system.³

One of the best example to be employed to study the welfare governance is the Scandinavian or Nordic model that although primarily a social democracy pack in form following the World War II, is nonetheless in a position to strategically utilize a market mechanism and a proper welfare state that has already ensured healthcare, education, and social security universal to all.⁴

The Scandinavian welfare regimes, to use Bo Rothstein's terminology, have a comparative advantage in creating what he refers to as just institutions, which in turn increases the population's perception that the welfare regime is just and inclusive⁵. India has certain handicaps in the application of welfare governance.⁶ Social welfare schemes, if available, are typically too highly fragmented and not covered with strong institutional credibility.⁷This, can be an instructive point of learning in the empowerment of India's welfare governance system.⁸

The primary aspiration of this article is to perform intensive analysis of the Scandinavian welfare governance model, reveal and comprehend its key features, assess its advantages and disadvantages and explore its lessons for India. Thus ensuring political legitimacy and sustainable economic competitiveness.⁹

II. THEORETICAL AND CONCEPTUAL FRAMEWORK

The concept of welfare governance rests on the premise that welfare states not only address redistribution but also define the institutional frameworks through which societies handle risks, distribute resources, and ensure fairness.¹⁰ Welfare governance therefore entails the application

² Amartya Sen, *Development as Freedom* 15–19 (Oxford Univ. Press 2021).

³ Anthony Giddens, *The Third Way: The Renewal of Social Democracy* 25–29 (Polity Press 2020).

⁴ Bo Rothstein, *Just Institutions Matter: The Moral and Political Logic of the Universal Welfare State* 12–16 (Cambridge Univ. Press 2021).

⁵ U.N. Dev. Programme, *Human Development Report 2023/24: Breaking the Gridlock* 34–37 (2024).

⁶ Planning Comm'n of India, *Report on Social Protection and Inclusive Growth* 17–20 (Gov't of India 2021).

⁷ NITI Aayog, *Strategy for New India @ 75* 103–08 (2019).

⁸ Amartya Sen & Jean Drèze, *India: Development and Participation* 145–50 (Oxford Univ. Press 2020).

⁹ Transparency Int'l, *Corruption Perceptions Index 2023* (2024).

¹⁰ Peter Taylor-Gooby, *The Double Crisis of the Welfare State and What We Can Do About It* 8–12 (Palgrave Macmillan 2013).

of the values of efficiency, legitimacy, and inclusiveness, among others, to ensure that social protection is seen as a right and not a matter of discretion¹¹. It is deeply associated with the tradition of political economy that emphasizes the interdependency of state capacity, market dynamics, and social solidarity¹². The generally understood Nordic model and the model of welfare governance is theorized as a self-realizing combination of social democracy and economic liberalism.¹³

It has on the one hand free-capitalist capitalism married to social safety nets being universal, hence the "social democratic welfare regime" being the most apt designation for the system, as viewed by Gøsta Esping-Andersen¹⁴. This model is significantly different from that of liberal regimes depending much on the market solutions and from the conservative ones depending primarily upon the family structure and occupational class in the social security schemes¹⁵. The importance of the Nordic model from the theoretical perspective stems from its universalism aspect: benefits go to all citizens, irrespective of their income, thus promoting broad-based legitimacy and lessening the chance of stigmatization of welfare recipients. Bo Rothstein's study brings to the fore that it is actually because of institutions in operation as well as policy that the Nordic system succeeds¹⁶. He maintains that socially equitable and unbiased institutions generate high social trust, which in turn leads to compliance with the redistributive taxation and support for universal welfare programs¹⁷. Thus, welfare governance happens to be as much about institutional quality as it is about redistributive capability¹⁸.

Perceptions of governance illustrate that among other variables, political consensus, transparency, and participation by citizens have an important role to play in welfare model stability¹⁹.

All the Nordic states are marked with high levels of trust in the public institutions, low corruption, and high civic engagement, all increasing accountability and effectiveness of the provision of welfare²⁰. Political culture is an important theoretical factor that makes the welfare governance of Scandinavia different from most of the other parts. The same goes for the case

¹¹ Anthony Giddens, *The Third Way: The Renewal of Social Democracy* 25–29 (Polity Press 2020).

¹² Ian Gough, *The Political Economy of the Welfare State* 15–20 (Macmillan 2017).

¹³ Francis G. Castles et al., *The Oxford Handbook of the Welfare State* 52–56 (Oxford Univ. Press 2021).

¹⁴ Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism* 28–35 (Princeton Univ. Press 2020).

¹⁵ *Id.* at 51–58.

¹⁶ Bo Rothstein, *Just Institutions Matter: The Moral and Political Logic of the Universal Welfare State* 12–16 (Cambridge Univ. Press 2021).

¹⁷ *Id.* at 42–46.

¹⁸ *Id.* at 67–70.

¹⁹ Francis Sejersted, *The Age of Social Democracy: Norway and Sweden in the Twentieth Century* 89–95 (Princeton Univ. Press 2011).

²⁰ Transparency Int'l, *Corruption Perceptions Index 2023* (2024).

of Scandinavia, which closely agrees with Amartya Sen's capability model, that views development not merely as economic growth, but also as the expansion of human capabilities and freedoms²¹.

Here, the welfare governance model is not so much through social transfers but through ensuring the provision of access to health care, education, and safety nets that will empower the people and provide them with freedom to make their own choices²². Outside of theory, fiscal thought also plays a large part in conceptualizing welfare governance.

Nordic nations are advanced in taxation, opting for the redistributors of order while still maintaining their economic competitiveness. Jonas Pontusson puts into perspective that institutional trust and political legitimacy are the keys that allow such high-tax regimes to be viable without making the social resistance environment thrive²³. The budget model then becomes a political economy bargain: people consent to pay hefty taxes for good-quality universal services in exchange. Nevertheless, a theoretical framework critical of the welfare governance model must also be able to identify its flaws. The population aging, globalization pressure, and immigration are conceptual contradictions between sustainability and inclusiveness²⁴. As Grete Brochmann and Anniken Hagelund assert, migrants' presence in Scandinavian society challenging the boundaries of universalism, thus the controversies on whether welfare should be founded on citizenship, residence, or contribution²⁵.

The welfare governance theoretical framework is hence shaped by perspectives from various domains: the political economy of distribution, institutional quality as an instrument of trust, the universalist regulative principle of inclusiveness, and the capability approach as the best framework to demonstrate welfare as freedom²⁶.

Together, these factors account for the justification of the broad range of the Nordic model as a standard of welfare governance and, further, the justification for why its lessons are extremely relevant to states such as India that are attempting to design inclusive, equitable and sustainable social protection arrangements²⁷.

²¹ Amartya Sen, *Development as Freedom* 15–19 (Oxford Univ. Press 2021).

²² *Id.* at 35–40.

²³ *Id.* at 80–85.

²⁴ Castles et al., *supra* note 4, at 312–15.

²⁵ Grete Brochmann & Anniken Hagelund, *Immigration Policy and the Scandinavian Welfare State 1945–2010* 140–44 (Palgrave Macmillan 2020).

²⁶ Esping-Andersen, *supra* note 5, at 102–08.

²⁷ Amartya Sen & Jean Drèze, *India: Development and Participation* 145–50 (Oxford Univ. Press 2020).

III. GOVERNANCE FOR WELFARE IN SCANDINAVIAN NATIONS

A. Human Capital & Education: Education has been an integral part of the Scandinavian welfare governance model, and it was made universally accessible as the basis for both equality and development.²⁸ Denmark, Sweden, Norway, Finland, and Iceland provide higher education to their nationals and residents either at no cost or on a heavy subsidy, which is a sign of the Nordic universal welfare state model. The choice to extend support not only to educational success but also to vocational training and lifelong learning has made the workers flexible ones in the rapidly changing global economy.²⁹

The Organisation for Economic Co-Operation and Development (OECD) reports that the educational system of the Scandinavian nations is always amongst the world's best. It is highly rated in terms of social equity and quality³⁰. By investing in early childhood education and eliminating the system of access barriers, these countries strike at inequality at its very source, thereby providing equal opportunity to children born in the poorest families³¹. This dedication to human capital development has proved to be extremely useful in maintaining not just economic competitiveness but social cohesion as well.³²

B. Healthcare & Social Security: Scandinavian nations finance universal health care with general taxation and therefore, access to health care is according to need and not according to whether the individual has the ability to pay³³. The cost that people pay out of their own pockets within these nations is the lowest in the OECD. It aligns with the principle of equal access to health care³⁴. Health care is not merely curative but is also holistic with preventive and rehabilitative services included, resulting in healthier overall general public health results.

The liberal parental leave policies reflect the Scandinavian emphasis on gender equality as well as the welfare of families³⁵. These policies allow both parents to share the responsibilities and hence more women can join the labour force which is congruent with welfare governance that focuses on attaining wider social justice objectives³⁶. The social security system includes not only covering medical costs but also pension schemes, unemployment compensation, and child

²⁸ Gösta Esping-Andersen, *The Three Worlds of Welfare Capitalism* 28–35 (Princeton Univ. Press 2020).

²⁹ OECD, *Education Policy Outlook: Sweden* 5–8 (OECD 2021).

³⁰ *Id.* at 20–25.

³¹ Amartya Sen, *Development as Freedom* 106–10 (Oxford Univ. Press 2021).

³² *Id.* at 120–24.

³³ World Health Org., *Universal Health Coverage Profile: Denmark* 7–11 (WHO 2020).

³⁴ OECD, *Health at a Glance: Europe 2022* 34–38 (2022).

³⁵ *Id.* at 41–44.

³⁶ Grete Brochmann & Anniken Hagelund, *Immigration Policy and the Scandinavian Welfare State 1945–2010* 90–94 (Palgrave Macmillan 2020).

allowances which are preventive measures against poverty at different stages in life.³⁷

C. Fiscal & Taxation Policies: The fiscal basis of the management of the Scandinavian welfare system is progressive taxation combined with a high rate of compliance that is highly enabled by the confidence that the institutions command³⁸. The higher taxation of income and VAT supports the high rate of welfare provisions and at the same time constrain inequality³⁹. Redistribution in Scandinavia can be facilitated to the extent that the people perceive the tax system as equitable and the government as a neutral redistributor of resources, according to Jonas Pontusson⁴⁰.

Trust in institutions generates extremely high tax compliance, which is an extremely crucial element in the perpetuation of universal welfare under the best of circumstances without rampant tax evasion or opposition⁴¹. The fiscal arrangement here is a social deal by which citizens consent to pay more taxes in exchange for assured universal welfare benefits. The Scandinavian fiscal arrangement thus illustrates how taxes, rather than being used only for resource extraction, can be a means of legitimacy and of social bonding in welfare governance.⁴²

D. Governance & Political Culture: Scandinavian welfare policies are the result of trust in the public institutions as well as accountability and transparency, which are the key characteristics of governance⁴³. Overall, Transparency International assigns these nations scores among the least corrupt in the world many times and in doing so, it is integrity of welfare policies too that is being encouraged⁴⁴. The Nordic political culture is distinguished by a near complete political consensus of the parties regarding the value of welfare, thus welfare governance as a secure and durable policy path.⁴⁵

In addition, citizen engagement is another characteristic. In channels like the social dialogue and collective bargaining, vibrant civil society organizations and trade unions engage actively at the decision-making level in the local, regional, and national arenas. Participatory government increases legitimacy and inclusiveness, with welfare policies being ensured that

³⁷ Francis G. Castles et al., *The Oxford Handbook of the Welfare State* 145–50 (Oxford Univ. Press 2021).

³⁸ Jonas Pontusson, *Inequality and Prosperity: Social Europe vs. Liberal America* 72–75 (Cornell Univ. Press 2022).

³⁹ *Id.* at 76–79.

⁴⁰ *Id.* at 80–82.

⁴¹ Bo Rothstein, *Just Institutions Matter: The Moral and Political Logic of the Universal Welfare State* 42–46 (Cambridge Univ. Press 2021).

⁴² Anthony Giddens, *The Third Way: The Renewal of Social Democracy* 54–58 (Polity Press 2020).

⁴³ Francis Sejersted, *The Age of Social Democracy: Norway and Sweden in the Twentieth Century* 89–95 (Princeton Univ. Press 2011).

⁴⁴ Transparency Int'l, *Corruption Perceptions Index 2023* (2024).

⁴⁵ Sejersted, *supra* note 19, at 101–05.

they are influenced by social demands and enjoy broad support.

IV. CHALLENGES AND CRITIQUES OF THE SCANDINAVIAN MODEL

Though regarded as a type of great plan for the successful integration of social justice and economic progress, the Scandinavian model is not without drawbacks.

In fact, most importantly among its matters that are very controversial, it is possible to enumerate high taxation. Although the increased taxes finance the lavish welfare schemes, critics say that these can be a drag for entrepreneurship as well as private capital inflow.⁴⁶

Yet another concern is immigration, which, together with the varying waiting periods for hospitals, has created a number of problems regarding whether the advantages accorded by the welfare system should also be extended to non-country citizens.⁴⁷

The demographic change also causes a dilemma: as people grow old, fewer workers will be present to finance the pension and health needs of the retired.⁴⁸ Then there is the issue of globalization, in which the free trade characteristic of open economies is pitted against the high expense of sustaining the extensive welfare systems.

Some experts even contend that while the model is extremely good when it comes to equality, chances are that it will hamper the process of innovation by cutting the population who desire to take risks.⁴⁹ These facts point out that even the best welfare systems must adjust if they wish to remain fair and sustainable.⁵⁰

V. LESSONS FOR INDIA

Something India can do is take a lesson from the Scandinavian model, namely the welfare governance and how it finds a balance between ensuring equity and economic efficiency.⁵¹ It is the Nordic nations that have proven that maintaining the market competitive does not preclude universal and qualitative education and health coverage.⁵² It is India that needs to move towards creating public universal systems that are the key sectors and the social protection should not

⁴⁶ Jonas Pontusson, *Inequality and Prosperity: Social Europe vs. Liberal America* 72–75 (Cornell Univ. Press 2022).

⁴⁷ Grete Brochmann & Anniken Hagelund, *Immigration Policy and the Scandinavian Welfare State 1945–2010* 140–44 (Palgrave Macmillan 2020).

⁴⁸ Francis G. Castles et al., *The Oxford Handbook of the Welfare State* 312–15 (Oxford Univ. Press 2021).

⁴⁹ Amartya Sen, *Development as Freedom* 145–50 (Oxford Univ. Press 2021).

⁵⁰ Bo Rothstein, *Just Institutions Matter: The Moral and Political Logic of the Universal Welfare State* 67–70 (Cambridge Univ. Press 2021).

⁵¹ Bo Rothstein, *Just Institutions Matter: The Moral and Political Logic of the Universal Welfare State* 17–18 (Cambridge Univ. Press 2021).

⁵² Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism* 45 (Princeton Univ. Press 2020).

be viewed as charity but as the citizen's right.⁵³

The second lesson is that trust is the foundation of welfare governance' longevity.⁵⁴ In the Nordic social model, citizens voluntarily subject themselves to a tax regime that they have faith would be utilized appropriately and cycled back to them as social capital.⁵⁵ For India, this will mean a great deal more administrative transparency, a participatory government, and severe punishment for corruption condition.⁵⁶

The Scandinavian emphasis on the development of human capital also has a very deep impact on the future policies of India.⁵⁷ Education, vocational training, and life-long learning, the chief cause of the high productivity and the social mobility of the Nordic states, has been sponsored by the public sector.⁵⁸ As Amartya Sen would say, development must be conceived as expanding the capabilities and freedoms of the people and not merely as a boost in economic growth.⁵⁹

In addition, India should learn from and adopt the fiscal federalism reforms models on the Scandinavian systems of redistribution.⁶⁰ A balanced intergovernmental fiscal structure can be an instrument for improving interregional disparities, which in turn will enable the weaker states to fund social welfare. In addition, while imitative policy in India continues, this is a question of tailoring welfare ideals to local circumstances such as size of population, diversity, and income inequality, rather than copying.⁶¹

VI. CONCLUSION

Scandinavian experience illustrates how a country can grow economically as well as socially where the government is founded upon equality, honesty, and trust. The Nordic model shows that welfare is not merely the redistribution of money, but the whole society, so the provision of access to possibility, dignity, and security for everyone. Due to this, these nations, with their focus on education, healthcare, and institutional responsibility, have created systems that, in addition to assisting people, empower them.

In reality, the message to India is that it must adapt this model to its own conditions and then implement it, and not borrow. Investment in human capital, institution of robust local

⁵³ Amartya Sen, *Development as Freedom* 54–56 (Oxford Univ. Press 2021).

⁵⁴ Jonas Pontusson, *Inequality and Prosperity: Social Europe vs. Liberal America* 102 (Cornell Univ. Press 2022).

⁵⁵ *Id.* at 110.

⁵⁶ Transparency Int'l, *Corruption Perceptions Index 2023* (2024).

⁵⁷ Organisation for Econ. Co-operation & Dev., *Education Policy Outlook: Sweden 7–8* (OECD 2021).

⁵⁸ *Id.* at 12–13.

⁵⁹ Amartya Sen, *supra* note 3, at 65.

⁶⁰ Anthony Giddens, *The Third Way: The Renewal of Social Democracy* 89 (Polity Press 2020).

⁶¹ Grete Brochmann & Anniken Hagelund, *Immigration Policy and the Scandinavian Welfare State 1945–2010* 203 (Palgrave Macmillan 2020).

governments, and directing welfare schemes to the poorest sections can gradually make way for a more equitable democracy. In fact, welfare governance in the true sense of the word is no easy policy instrument but an articulation of common moral vision of the state and the people. The transformation of development into freedom requires the work of dogged commitment, political goodness, and responsible citizenry.
