**Is trade policy the missing piece to a public health puzzle?**

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**Introduction**

Health outcomes vary across different welfare state arrangements (Bergqvist et al., 2013). Strikingly, while overall health is typically better in social democratic countries (Denmark, Finland, Norway, Sweden), these countries do not always have the smallest health *inequalities*. A range of potential explanations has been put forth to explain this ‘Nordic Paradox’ (Bambra, 2011a). A commonly invoked one is that the welfare state itself plays a major role in determining health inequalities, since welfare states both distribute major determinants of health (such as income, education and employment) and also mediate their health impact (Beckfield et al. 2015). Global processes have also been acknowledged as important influences on these broader, social determinants of health (Blouin et al., 2009; McNamara, 2017), but little is known about how global processes interact with welfare state policies to influence health inequalities (see also Huijts and McNamara, this issue). It has been found that social policies can both moderate the health impact of trade liberalisation and influence the type of health-related pathways resulting from it (McNamara, 2015), but we lack studies on whether global processes might influence how social policies shape health. This is the focus of this paper which specifically asks whether the persistence of health inequalities in Nordic states can partly be seen as a failure of welfare states to compensate for the impacts of greater global market integration. Two trade-related mechanisms that may in part explain the Nordic paradox are explored with the aim of laying the ground work for a more in-depth investigation and bringing a global perspective into the fold of health inequality research.

**Global Market Integration in Nordic Countries**

This work is premised on two observations. The first is that levels of trade openness are particularly high in Nordic countries (Table 1) (although other countries display even higher levels, such as those characterized in the literature as corresponding to a ‘conservative’ regime’) (Esping-Anderson, 1990). The concept of ‘trade openness’ is used to measure countries’ integration in the global market and is calculated by summing a country’s imports and exports, and dividing this figure by the country’s gross domestic product. Most OECD countries have seen an overall rise in trade openness since the 1970s (with a general dip in trade between 2008 and 2009, likely due to the financial crisis).

The second observation is that, more so than other OECD countries, Nordic countries engage in inter-industry trade (Van Kersbergen and Vis, 2013). Inter-industry trade involves the exchange of goods from different industries and is theorized in political sciences to be characterized by higher levels of labour market adjustments. In Nordic countries, this type of trade has been associated with employment loss, particularly among unskilled workers (Autor et al., 2013). Unskilled workers in Nordic countries are characterized as having lower education, lower income and a higher risk of unemployment (Berg, 2005; Jørgensen, 2005; Lilja, 2005; Nergaard, 2005), all social categories which have been implicated in the Nordic paradox (e.g. Bambra & Eikemo, 2009; Guarnizo-Herreño, Watt, Pikhart, Sheiham, & Tsakos, 2013; Mackenbach et al., 2008).

**Mechanism 1**

Conceptually, there are at least two ways in which Nordic welfare states may be failing to compensate for the health impacts of greater market integration. The first is if those affected by greater integration do not have access to social protection. If a firm decides to lay off workers and displaced workers have little access to compensation, this may have important health implications. The idea being drawn on here is that the material impacts of job loss are a central determinant of health (Bambra, 2011b).

Since Nordic countries are characterized as having among the most generous social policies (Esping-Anderson, 1990), it may seem as if this first mechanism can be easily dismissed. However, evidence suggests that even when countries are characterized as having broadly protective social policies, those vulnerable to the employment impacts of trade are often excluded from such provisions (McNamara, 2015). There are at least two important ways of determining whether those vulnerable to trade have access to compensation in the case of job loss. One is to look at a state’s unemployment benefit, the other is to look at its collective dismissal legislation.

Unemployment benefits are administered through voluntary social insurance systems in each of the Nordic countries, with the exception of Norway. While the voluntary nature of these benefits is one potential source of exclusion from social protection, the literature does not seem to indicate that this has limited the coverage of unskilled workers (Christiansen, 2006). Unemployment benefits however, (and other forms of social assistance), also have a labour market policy function in Nordic countries and are often conditional on claimants meeting certain behavioral criteria (Kananen, 2016). These social policy features are associated with stigmatization and generally considered at odds with positive health outcomes (Citizens Advice Scotland, 2014; Diderichsen, 2002).

Collective dismissal regulations encompass the rules for dismissing groups of workers and are especially relevant in the context of trade since competitive pressures are likely to result in decisions that will impact a number of workers at once. The OECD regularly collects information on countries’ collective dismissal regulations. This work finds that in terms of protectiveness, the Nordic countries all rank *below* the OECD average and are characteristically less protective than the classically defined liberal countries such as the United States, Canada and Great Britain (Table 3) (OECD, 2013).

These two components of Nordic countries’ labour market policy, relatively generous social security (in the form of unemployment benefits) and relatively low levels of employment protection (particularly in the context of collective dismissals), represent two of the three pillars of what is known as the Nordic ‘Flexicurity’ model. This policy model seeks to balance labour market flexibility (i.e the free movement of workers in and out of employment) with worker security and is often promoted as a way of dealing with the challenges associated with globally integrated markets (Viebrock and Clasen, 2009).

The third pillar of the flexicurity model is high levels of employment. This aspect of Nordic labour markets brings into question the health relevance of social protection. In other words, if trade-displaced workers are moving swiftly into new employment, how much does it matter (for health) whether terminated workers have access to social protection? Answering this question leads to a series of other important questions such as, are trade-displaced workers actually moving into new employment; if yes, how quickly, and into what types of jobs and with what conditions?

Investigating the labor market effects of Chinese imports in Norway, Balsvik and colleagues (2014) find that low-skilled workers are partly pushed into unemployment, partly into work in other private sectors and partly out of the labour force entirely. In a study of workers displaced from Norwegian manufacturing plants, Huttunen and colleagues (2006) find that displacement raises workers’ probability of exiting the labor force by about 5 percentage points. Together these studies begin to suggest that not all trade displaced workers are moving into new or equivalent employment. A further study by Westin and colleagues (1989) indicates that Norwegian workers exiting the labour market after a factory closure, experience a health disadvantage, even despite having access to relatively generous levels of social protection.

**Mechanism 2**

The second way welfare states might fail to compensate for the health impacts of greater market integration is if the impacts of integration manifest themselves in ways that are outside of the scope of welfare states. When a country is highly exposed to competitive pressures, workers may be required to frequently shift employment. Even in scenarios where unemployment spells are short and well-compensated for, there may be something health damaging for workers whose employment is under constant threat. Here the idea is that while many welfare state policies have been designed to compensate workers in times of uncertainty, there may be certain aspects of that uncertainty which, in terms of health, cannot be compensated for.

Social epidemiological literature that investigates how health is shaped by precarious employment and job insecurity offers some insight on this potential mechanism. Whereas precarious employment often refers to flexible forms of employment (e.g. part-time work), job insecurity typically refers to the uncertainty surrounding the continuity of one’s job (Kim et al., 2012). In a review of the literature on precarious employment, job insecurity and health, Kim and colleagues (2012) find that while precarious employment is often associated with better health in Nordic countries, the majority of studies investigating job insecurity in Nordic countries find a negative association. It is worth noticing that many of these latter studies focus on instances of company downsizing, a process often associated with trade.

The authors suggest that employment precariousness is associated with better health in Nordic countries since “part-time workers enjoy a perception of job security within a labour market that supports choosing flexible working hours” (p113). Explanations for the findings related to job insecurity however, are less clear. One potential explanation may be that flexicurity-based policy models address only some of the components of job security that are important for individuals’ well-being (Burchell, 2009). Besides financial considerations, other components of job security that may be important for well-being include those related to peoples’ self-identity, confidence, and their continuity of social networks (Burchell, 2009).

**Discussion and Conclusion**

The two mechanisms explored in this paper provide some initial indication that the labour market trajectories of trade-vulnerable workers might have a meaningful, albeit partial, role in shaping the Nordic paradox. The first mechanism not only highlights the relatively weak protection of trade-displaced workers’ in cases of collective dismissals, but also suggests that a proportion of them leave the labour market entirely. In relation to workers leaving the labour market, attention is drawn to conditional benefits which are associated with poor health outcomes. In relation to workers remaining in the labour market, the second mechanism suggests that there may be something health damaging about insecure work which is outside the influence of welfare state compensation. More work however, is necessary to see whether these mechanisms are borne out by more causally indicative evidence.

There are notable implications of this work for health inequality literature. To begin with, it illustrates the importance of considering how social protection policies relate to the specific social groups bearing the brunt of poorer health, something that has long been called for in the literature (Bambra, 2011a; Beckfield and Krieger, 2009; Bergqvist et al., 2013). That certain categories of workers may be less protected in Nordic welfare states than in more liberal ones is a surprising finding given that these countries are often considered the most socially protective in the health literature.

This work also begins to suggest that global processes can have a unique influence on a country’s distribution of health in a way that is, at least in some respect, outside the realm of the welfare state. If, as the second mechanism suggests, inter-industry trade is creating a labour market environment of insecure work, and insecure work in turn impacts health in ways that are beyond material considerations, this would suggest that global processes can in some ways shape health outside of the influence of welfare state institutions. Future work should further consider how global processes might impact health distributions, both in combination with and independently from the welfare state.

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Table 1 Levels of trade openness for select OECD countries, 1970-2010 (exports plus imports as a percentage of gross domestic product in current prices)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1970 | 1980 | 1990 | 2000 | 2008 | 2009 | 2010 | Change 1970-2008 | Change 1970-2010 |
| Belgium | 96.7 | 112.1 | 132.8 | 153.4 | 168.3 | 142.0 | 157.3 | 71.6 | 60.7 |
| France | 31.3 | 44.4 | 43.9 | 56.6 | 56.0 | 48.5 | 53.3 | 24.7 | 22.0 |
| Germany | 33.5 | 44.4 | 49.6 | 66.5 | 89.9 | 78.9 | 88.2 | 56.4 | 54.7 |
| Netherlands | 90.7 | 104.7 | 109.1 | 134.6 | 144.2 | 130.8 | 148.6 | 53.5 | 57.9 |
| ***Average CR*** | **63.0** | **76.4** | **83.8** | **102.8** | **114.6** | **100.0** | **111.9** | **51.6** | **48.8** |
| Denmark | 59.8 | 68.0 | 69.7 | 87.0 | 106.3 | 91.4 | 95.4 | 46.5 | 35.6 |
| Finland | 50.6 | 63.8 | 46.7 | 78.0 | 89.9 | 73.1 | 80.0 | 39.3 | 29.4 |
| Norway | 74.1 | 80.4 | 73.9 | 76.0 | 76.3 | 67.4 | 69.9 | 2.2 | -4.2 |
| Sweden | 45.8 | 61.1 | 60.0 | 86.7 | 100.3 | 90.1 | 94.0 | 54.5 | 48.2 |
| ***Average SDR*** | **57.6** | **68.3** | **62.6** | **81.9** | **93.2** | **80.5** | **84.8** | **35.6** | **27.3** |
| Australia | 25.4 | 31.3 | 32.0 | 43.8 | 44.7 | 39.9 | 40.7 | 19.3 | 15.3 |
| Ireland | 72.4 | 103.1 | 106.4 | 181.3 | 157.1 | 165.2 | 183.3 | 84.7 | 110.8 |
| UK | 43.8 | 51.7 | 50.0 | 57.1 | 61.7 | 58.6 | 62.6 | 17.9 | 18.8 |
| US | 11.3 | 20.8 | 20.5 | 25.9 | 31.0 | 25.7 | 29.0 | 19.7 | 17.8 |
| ***Average LR*** | **38.2** | **51.7** | **52.2** | **77.0** | **73.6** | **72.3** | **78.9** | **35.4** | **40.7** |
|  |  |  |  |  |  |  |  |  |  |

LR is liberal regime, CR is conservative regime, SDR is social democratic regime. Changes are in percentage points. *Source:* Heston et al. (2012)

Table 2 Employment Protection Legislation for Collective Dismissals

|  |
| --- |
| **Country** |
| **OECD Average** | **2.91** |
| Denmark | 2.88 |
| Finland | 1.63 |
| Norway | 2.50 |
| Sweden | 2.50 |
| **Average SDR** | **2.38** |
| Belgium | 5.13 |
| France | 3.38 |
| Germany | 3.63 |
| Netherlands | 3.19 |
| **Average CR** | **3.83** |
| Australia | 2.88 |
| Ireland | 3.50 |
| UK | 2.88 |
| US | 2.88 |
| **Average LR** | **3.03** |

LR is liberal regime, CR is conservative regime, SDR is social democratic regime. Indicators range from 0 to 6, with higher scores representing stricter regulation. *Source:* (OECD, 2013)