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Press Subsidies and Business Performance of Newspaper Publishing in Three Nordic Media Welfare States

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Abstract

The Nordic countries have been regarded as so-called "media welfare states." Despite the large amount of public money used on press subsidies over the decades in the Nordic countries, there is not much academic research on the financial performance of the newspaper publishing industry in these countries. This study examines the "media welfare state" approach to public support for newspapers and the financial performance of newspaper companies in three Nordic countries: Finland, Sweden, and Norway. Our data consists of the key financial figures of newspaper publishing companies in the aforementioned countries from 2005 to 2019. Based on our analysis, we argue that direct press subsidies in Sweden and Norway have not been able to prevent a decrease in the number of titles and, importantly, have resulted in a number of subsidy-dependent news outlets unable to survive on their own income. By contrast, the Finnish newspaper publishing industry has been in a better financial situation in terms of almost all indicators and throughout the review period, despite Finland abandoning direct press subsidies in the 1990s.

Keywords

business performance; Finland; media support; media welfare state; newspapers; Norway; press subsidies; Sweden

1. Introduction

Since the 1960s, newspaper subsidies in Nordic countries have been based on a dual system combining direct subsidies for selected titles in need and indirect tax support for the entire press industry, as subscribed newspapers and magazines have enjoyed reduced or zero-rate value-added tax (VAT; Ots et al., 2016). The "Nordic model" is based on strong editorial independence from the state and other interests, as well as accountability to society rather than to either the state or the market (Neff & Pickard, 2023). Accordingly, the four largest Nordic countries (Sweden, Norway, Denmark, and Finland) have been regarded as so-called "media welfare states" (Syvertsen et al., 2014), with relatively similar media support systems. However, Finland is somewhat of an outlier, as it practically abandoned direct press subsidies and the traditional dual Nordic subsidy model in the 1990s (Ala-Fossi, 2020). The Nordic model can also be seen as undergoing transformations in the other Nordic countries, particularly related to neoliberal policies emphasising media privatisation and deregulation (Neff & Pickard, 2023).

As elsewhere, Nordic newspaper publishing companies have faced significant changes and challenges in their business environments in recent decades (Björkroth & Grönlund, 2015). Despite the large amount of public money used in the Nordic countries on newspaper subsidies over the decades, there is not much academic research on their impact and effectiveness, i.e., the extent to which subsidies achieve their purposes or how distinctive national subsidy schemes and objectives may have differentiated the structures of the newspaper markets (Ots & Picard, 2018; Wirén et al., 2021). This is partly due to the difficulty of isolating or establishing any causal relationships between subsidies and specific outcomes in the industry (Ots & Picard, 2018). Our article addresses this difficulty, underscoring that correlation does not necessarily indicate causation. It is crucial to recognise that factors such as evolving consumer preferences and global economic trends can significantly impact the newspaper market.

Our article explores how newspaper publishing companies in three Nordic nations—Finland, Sweden, and Norway—have operated within more or less similar media environments but with differing methods of public support for newspapers, especially concerning the decision to offer or refrain from direct subsidies. In this study, we analyse the financial performance of the newspaper publishing industry in these countries. Examining and understanding their financial performance is important when discussing the objectives pursued and already achieved by the state support policy for newspapers (see, for example, Gustafsson et al., 2009). Financial statement analysis (FSA) stands as a foundational tool in financial management, offering a comprehensive means of evaluating not only the internal workings of a company but also its interactions with customers, competitors and business partners. This analytical approach involves scrutinising a company's financial strengths and weaknesses by establishing meaningful connections between the items on the balance sheet and the profit and loss account. The use of FSA in connection to press subsidies in media markets can be considered innovative and original in the media studies context. In addition, by focusing on the "media welfare states," we can contribute to the study of the newspaper business in the context of specific kinds of media systems.

Harrie (2018) highlights the nuanced nature of Nordic countries, emphasising that while they share numerous similarities, differences also exist, shaped in part by their media structures. Notably, Denmark stands out for its distinct continental characteristics, where television news assumes a singular prominence, diverging from the media landscapes of Finland, Norway, and Sweden. Denmark's divergence from its Nordic neighbours extends to its newspaper market. Specifically, Denmark hosts a considerably lower number of paid-for newspaper titles, with only one paid-for, one-to-three-times-a-week newspaper. What sets Denmark apart is the thriving segment of free nondaily newspapers, a characteristic reminiscent of the paid-for nondaily papers observed in their Nordic counterparts (Lehtisaari et al., 2016). Conversely, when it comes to readership patterns, Denmark deviates from the trends observed in other Nordic countries, exhibiting a comparatively low readership of newspapers. Because of this, we decided to exclude Denmark from the study.

Our research question is as follows:

> RQ1: How does the financial performance of newspaper publishing companies differ in three Nordic countries with diverse media subsidy policies?

Our dataset comprises key financial figures of newspaper publishing companies in Finland, Norway, and Sweden. An extensive FSA (profitability, solidity, liquidity, and productivity) was carried out in all three countries. The time span of the financial key figure analysis is 2005–2019.

2. Public Subsidies for Newspapers in Nordic Countries

The concept of "media welfare state" (Syvertsen et al., 2014) combines the idea of a democratic corporatist media system (Hallin & Mancini, 2004) with the social democratic welfare state model and underlines the distinctiveness of the media systems in the Nordic countries with certain typical characteristics: communication services understood as public goods, freedom from editorial interference, economic support for media pluralism, and preference for consensual solutions between main stakeholders in the media sphere.

In the Nordic countries, printed newspapers have been considered to have such an important role in the distribution of news that they have been able to enjoy multiple state subsidies, although studies show increasing levels of indifference among the public concerning support for struggling newspapers (Ohlsson, 2014). After periods of declining political and public interest in press subsidies, the recent economic crisis of news media has placed state support for journalism back on the agenda (Ots & Picard, 2018).

Press subsidies have long been considered an instrument for the state to support the general informing of the citizenry and thereby democracy and its institutions. Press subsidies are not seen as just business support for one particular industry but rather as support for democracy and, consequently, the welfare of the citizens (Kammer, 2016). Additionally, in Sweden, there have been motivations to introduce press subsidies related to party politics: Direct press support was introduced in 1971 in a hasty political settlement between the Social Democrats and the Centre Party when several newspapers that were politically close to them had financial concerns (Nord & Ots, 2019).

The postal rates for newspapers in the Nordic countries were already reduced in the early days of the newspaper business. By the late 1940s, when sales tax had been taken into use in all Nordic countries, newspapers were also exempted from it because of their role in democracy. However, this was not enough to protect the regional and political diversity of the press, so direct press subsidies were introduced in the 1960s (Ala-Fossi et al., 2018; Ots et al., 2016).

The practice of tax exemption continued when sales tax was later replaced with VAT and also when Finland and Sweden joined the European Union in 1995. Finland was originally allowed to continue at a 0% rate, like Norway, while Sweden introduced a reduced VAT of 6% on printed newspapers. These dual subsidies (indirect support in the form of reduced VAT and direct press subsidies), boosted with postal subsidies, are the core of the press subsidy system in the Nordic countries even today, with the exception of Finland. In Norway and Sweden, press subsidies are granted to newspapers in local or regional markets that are not market leaders but represent an alternative to the dominant newspapers or that are too limited in terms of circulation and/or frequency to be economically sustainable (Kammer, 2016).

In Norway and Sweden, broader subsidy systems offering more extensive monetary support for newspaper production and distribution have been in place continuously since the 1960s. In 2019, both countries introduced new categories of support for which formats other than print media can also apply. Based on data provided by Nordicom's media statistics, in 2019, direct press subsidies were approximately EUR 38.1 million in Norway and EUR 61.2 million in Sweden. The number of newspapers granted production subsidies was 155 in Norway, and the number of those granted operational subsidies was 77 in Sweden.

Finland ended up gradually abandoning direct press subsidies in the 1990s almost completely, and two decades later also replaced the zero-rate VAT with a reduced rate. In both cases, the reason for the changes in policy was a deep fiscal crisis of the state—first, as a consequence, among others, of the collapse of the Soviet Union, a major trading partner, and second, due to the euro crisis in the late noughties (Ala-Fossi, 2020; Ots et al., 2016). However, later, even in times of economic uptrend, Finnish governments have not decided to restore direct press subsidies, apart from short-term crisis situations such as the Covid-19 pandemic. Such stopgap interventions do not guarantee long-term financial security, which would otherwise be privileged in the Nordic model (Neff & Pickard, 2023). Therefore, the Finnish news media industry has been campaigning for the reintroduction of zero-rate VAT, but the largest political parties would rather consider developing a new permanent press subsidy system instead (Arola, 2023). Still, by 2024, no resolutions have been reached regarding significant direct press subsidies. Importantly, the decisions in Finland not to offer direct press subsidies have been based on the finances of the state, rather than the supposed risks of creating unholy alliances between the news media as a watchdog over those in power (see Ots & Picard, 2018). Currently, the only direct financial support to newspapers in Finland consists of discretionary subsidies granted to newspapers in national minority languages and to Swedish-language news services. In 2019, direct government subsidies to news media in Finland amounted only to EUR 0.5 million, which is minimal compared to the support provided in Sweden and Norway.

A recent study (Neff & Pickard, 2023) situates the press subsidy model applied in the Nordic countries in a wider framework by examining what several large Western democracies have done to maintain the health and independence of their media systems and how these policies benefit journalism. Neff and Pickard (2023) focus on recent initiatives to support journalism in Australia, Canada, Ireland, New Zealand, the United Kingdom, and the United States. The initiatives in these countries can be divided into three categories: private sector-oriented initiatives that focus on mobilising private funding, such as philanthropy from private foundations; those mobilising public funds, either through direct funding of journalism or through indirect subsidies and tax incentives; and a hybrid category that mixes private and public funding. None of the initiatives overtly mimic the Nordic model. They argue that when these initiatives intervene in the commercial media market, they tend to tread lightly, which undermines the long-term financial security guaranteed by the Nordic model. However, for Neff and Pickard (2023), it is less than clear that supporting local journalism elsewhere requires the wholesale adoption of media policies found in Nordic countries.

3. Newspaper Markets in Finland, Norway, and Sweden

Looking solely at the number of paid-for newspaper titles from the middle of the first decade of the millennium, the newspaper market in Norway seems to be quite stable, and the total number of titles, based on Norwegian newspaper statistics (Medianorway, 2023), has remained more or less unchanged (–3%; see Figure 1). The development in Finland and Sweden has been more negative, and the number of paid-for newspaper titles has decreased in both countries. Between 2005 and 2019, the total number of newspapers decreased by 32 titles in Finland (–16%) and by 20 titles in Sweden (–13%). Particular to Norway and Finland is that they have a high amount of paid-for local and regional newspapers. In Sweden, the number of paid-for nondailies is significantly lower. A special feature of the Norwegian newspaper market is that there are only two paid-for newspaper titles published seven times a week. In Finland, some regional and metropolitan seven-day newspapers have begun to abandon the printed Sunday edition, yet the majority of Finnish dailies still publish seven issues per week (as of late 2023).

The revenue structure of newspapers was very similar at the beginning of the review period. Based on data from Nordic Media Statistics (Nordicom, 2023), in 2005, the share of advertising revenue in the total revenue of newspapers was between 53 and 55%, depending on the country. At that time, there were no notable differences in the proportion of newspaper advertising within the overall media advertising market. In 2005, the share of newspaper advertising was approximately 47% in Finland, 45% in Sweden, and 45% in Norway. By 2019, in both Sweden (–36%) and Norway (–31%), total revenues fell by about a third. In Finland, the decrease in profits was the smallest, just over 20%. The remarkable decrease in revenues (Figure 2) was mainly caused by the rapid loss of advertising revenue. In Finland, between 2005 and 2019, newspaper advertising revenues fell from around EUR 585 million to EUR 358 million (–39%). In Norway, the decline was 50%, from

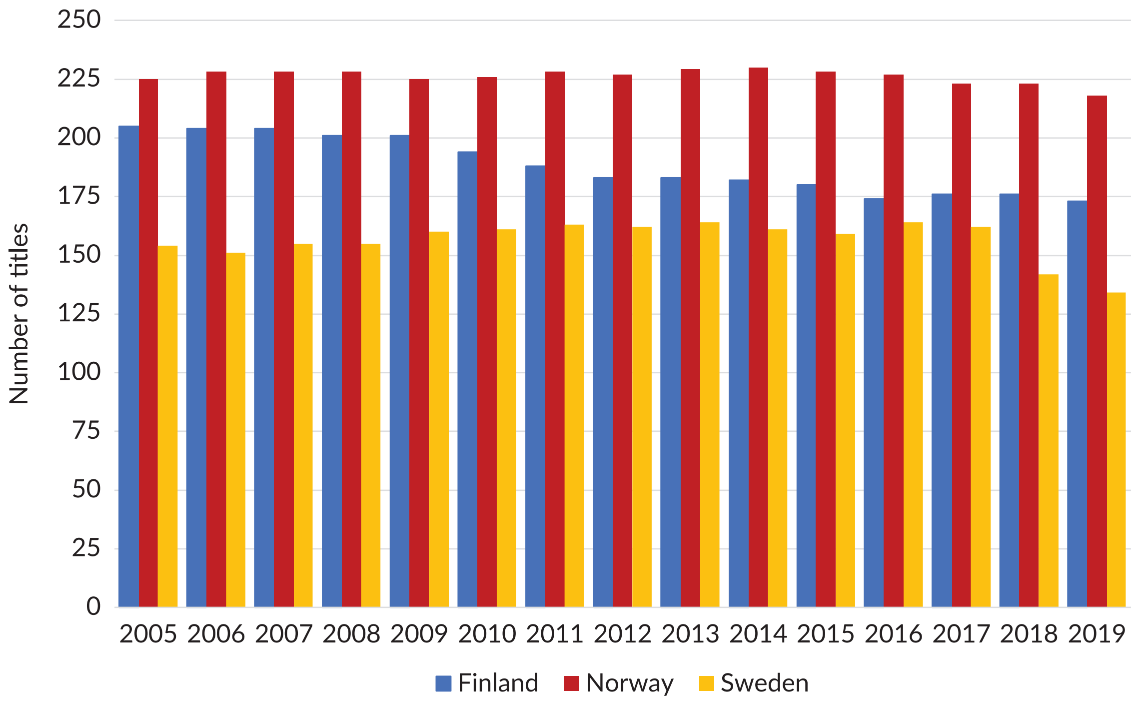

Figure 1. Number of paid-for news titles 2005–2019 with one to seven issues per week.

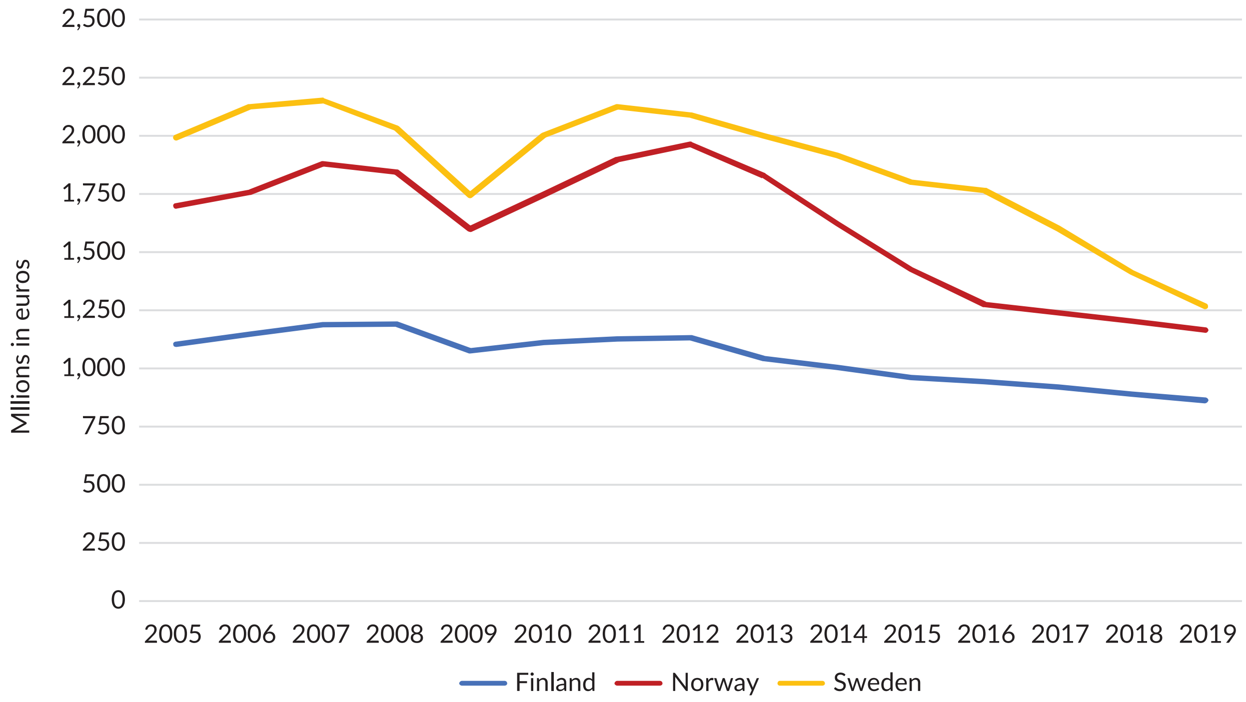

Figure 2. Newspaper revenues (millions in euros), 2005–2019.

EUR 846 million to EUR 424 million. At the same time, global technology giants Meta and Alphabet have been growing their share of Nordic digital advertising investments.

The circulation of paid-for newspapers in all three countries is based on subscriptions and home delivery, except for tabloids. Attracting new subscribers has been a challenge, and a long-term downward trend in circulation is characteristic of the majority of paid-for newspapers in Nordic countries. In recent years, evaluating the development of the total circulation of newspapers has become impossible in Finland and Sweden because an increasing number of newspaper titles have given up official circulation audits.

Despite the big declines in circulation, in Finland, for example, newspaper sales have decreased by only 13 million (–2.5%) since 2005. This means that, despite their challenges, newspapers have been able to raise their subscription prices considerably. The development has been similar in Norway as well, where newspaper sales have fallen only by slightly more than 5% over the past 15 years. By necessity, newspapers have explored different sources of revenue, including events, marketing, and memberships, in order to become multi-sided market products (Gabszewicz et al., 2016). Numerous innovative concepts in the media industry revolve around acquiring and retaining devoted paying customers, essentially implementing an audience-centric approach. Concurrently, there is a growing realisation that media companies must formulate fresh strategies for engaging their readership (Lehtisaari et al., 2018; Villi et al., 2020).

The daily reach of printed newspapers has also been decreasing. In 2005, printed newspapers reached approximately three-quarters of the population in Sweden (73%) and Norway (74%). In comparison, in 2019, the daily reach of printed newspapers was less than one-third, both in Sweden (31%) and Norway (27%). However, the total reach (print and online) of newspapers was still almost two-thirds of the population aged 9 to 79 in Sweden (64%) and Norway (66%). Until 2018, the Swedish Media Barometer survey relied on telephone interviews conducted with a randomly selected range of individuals aged 9–79. Starting in 2019, the survey transitioned to a mixed-mode approach that combined both online and telephone methodologies. The Norwegian data primarily encompass traditional newspapers in both print and online formats. In Finland, in 2019, the daily reach of printed newspapers of the population aged 15+ was one-third (35%). Respectively, the daily reach of digital newspapers and tabloids in Finland was 49%. The Finnish data pertains to the reading habits concerning newspapers and evening tabloids among Finns aged 15 and above. The survey is based on 26,000 telephone interviews and 9,500 online respondents (MediaAuditFinland, 2023). In all, the development points to the need for Nordic newspapers to expand their reach in the online realm, extend the distribution channels, utilise different platforms, and make their content both findable and shareable.

4. Data and Methods

External stakeholders, ranging from investors to business partners, leverage FSA to gauge the overall well-being, financial performance, and intrinsic value of an organisation. Within the realm of financial analysis, several established methods and techniques come into play, including horizontal analysis, vertical analysis, ratio analysis, trend analysis, and cost–volume profit analysis. More information concerning FSA and its different methods is available, for example, in Fridson and Alvarez (2022), Penman (2013), Robinson (2020), and Subramanyam (2014).

FSA and ratio analysis, in particular, take centre stage as fundamental techniques in both academic literature and business research. These methodologies serve as invaluable tools for delving into the financial health and performance of companies. The process entails a meticulous examination of a company's financial statements, including the balance sheet, income statement and cash flow statement, to extract insights into its profitability, liquidity, solvency, and overall operational efficiency.

Ratio analysis, a key component of FSA, involves the calculation of various financial ratios based on data extracted from financial statements. These ratios provide a quantitative measure of different facets of a company's financial performance and position. By utilising these analytical tools, stakeholders gain a nuanced understanding of a company's standing in the market, enabling informed decision-making and strategic planning.

The starting points of the FSA are official financial statements, notes to the accounts, and other available information that are framed in accordance with the valid legislation. The basis for adjusting financial statements is the need to refine financial statement information so that it best serves the purposes of the analyst. Analysis means, on the one hand, taking a position on the items of the official financial statements and their valuation, and on the other hand, grouping the items, the result of the operating period, the financial position, and liquidity of the company (Yritystutkimus ry, 2017).

The terminology related to FSA may differ across sources. Regardless of the specific terms used, FSA aims to address four fundamental questions, as outlined by Mautz and Angell (2006). These questions delineate the key aspects of financial performance: profitability and market performance, liquidity, efficiency, and capital structure. In this context, the unit of analysis employed is the company—a business organisation comprising one or more establishments under common ownership or control. Consequently, the figures and statistics discussed in this article pertain to the company level, not the individual establishment level.

Financial ratios serve various purposes, including assessing a firm's ability to meet its debts, evaluating business and managerial achievements, and even regulatory compliance with statutory requirements (Barnes, 1987). Moreover, FSA frequently involves comparing a company's financial ratios with those of other businesses in the same industry or industry averages (Dahlstedt et al., 1994). The aim of this article's FSA and the utilisation of crucial financial ratios is to present an accurate portrayal of profitability, financial standing, and progress, facilitating a meaningful comparison across different fiscal years.

In our analysis, we gauged specific facets of financial performance within the newspaper publishing industry in Finland, Norway, and Sweden. These aspects encompass (a) the scale of operations, (b) the profitability of operations, (c) the financial stability of the company, and (d) productivity. Profitability ratios assess the outcomes of business activities, indicating the overall performance and efficiency of the company. Solvency ratios depict a firm's capacity to meet its long-term obligations, including interest costs and payment schedules. Productivity ratios provide insights into the effectiveness and efficiency of personnel and capital utilisation.

We employed the median to illustrate the progression of specific key financial figures. The median is determined by arranging these key figures in ascending order and dividing the data into two equal halves. It effectively separates the upper half of the data from the lower half. In cases where there is an even number of observations, the median is calculated as the average of the two middle values. Nevertheless, it is crucial to note that the interpretation of these figures is contingent on the size and quality of the data utilised.

For this article, annual financial statements were collected from the Bureau van Dijk's Orbis database (Orbis, 2023), which is a comprehensive global business database and information platform. It offers a vast collection of financial, ownership, and company information for public and private companies around the world. The database includes data on over 400 million companies, allowing users to access detailed financial statements, ownership structures, mergers and acquisitions activity, news, and other relevant business information.

The Orbis database is widely used by professionals in finance, accounting, risk management, and market research for various purposes, including financial analysis, credit risk assessment, due diligence, business valuation, and market intelligence. It provides valuable insights into company performance, market trends, and industry benchmarks, making it an exceptional tool for researchers, analysts, and business professionals seeking in-depth company and financial data.

The use of FSA and ratio analysis in academic research to assess the media market is not a new phenomenon. It has been used in newspaper industry research by Edge (2014), Grönlund and Björkroth (2015), Jung (2003), Lacy et al. (2006), Soontae et al. (2006), and van der Wurff (2003). Financial data gathered on media companies through the Orbis database and its European predecessor Amadeus have been used by, for example, Ala-Fossi et al. (2018), Almirón and Segovia (2012), De Mateo et al. (2010), Grönlund (2023), Lehtisaari et al. (2016), Rios-Rodríguez et al. (2022, 2023), and van der Burg and Van den Bulck (2017).

The majority of companies in Finland, Norway, and Sweden are obliged by legislation to submit their annual financial statements to the national company register. The financial statements of limited liability companies are also public, so the financial statements of newspaper companies (Table 1) are very comprehensively available in the database. In this sense, the Nordic countries provide a rather exceptional backdrop for collectively and comprehensively evaluating the financial performance of news media companies. While the

Table 1. Number of analysed financial statements, 2005–2019.

	Finland	Norway	Sweden	Total
2005	115	149	33	297
2006	106	162	37	305
2007	105	165	39	309
2008	94	171	42	307
2009	97	182	43	322
2010	95	185	49	329
2011	85	189	51	325
2012	72	197	47	316
2013	74	200	50	324
2014	78	201	52	331
2015	83	207	56	346
2016	87	203	56	346
2017	84	204	56	344
2018	86	203	55	344
2019	86	204	57	347

data from Norway and Sweden suggest a growth in the number of companies, it is important to note that this increase is partly attributed to the narrower nature of the Orbis data until 2011.

5. Financial Performance of Nordic Newspaper Publishing Companies

The margin of earnings before interest, taxes, depreciation, and amortisation (EBITDA) refers to the result of the company's operative or actual operations before depreciation and financial items. Comparability of this key financial figure within an industry is weakened by the fact that companies either own their production equipment or lease it in whole or in part. If the company has leased its production equipment, the cost above the EBITDA is allocated to rental costs, while the expense entries for owned production equipment are directed to depreciation and financial expenses in the income statement.

The margin requirement for an individual company depends on its debt/equity ratio. For example, the trend of the operative profitability of Swedish newspaper companies is clearly declining, and in 2019, the median EBITDA was negative. This means that approximately half of the Swedish newspaper companies faced fundamental problems with their operations even before the Covid-19 pandemic. In contrast, the Finnish newspaper publishing industry has consistently demonstrated the best profitability in its operational activities throughout the entire review period (see Figure 3).

The net profit margin (%), commonly known as the bottom line, net income, or net earnings, serves as a measure of a company's profitability once all costs have been accounted for. For a company to be deemed profitable, its cumulative net result must be positive. A positive net result implies that the company has successfully managed interest rates through its regular business activities, along with handling working capital loans and investment co-financing. The sufficiency of net income and the minimum level required are

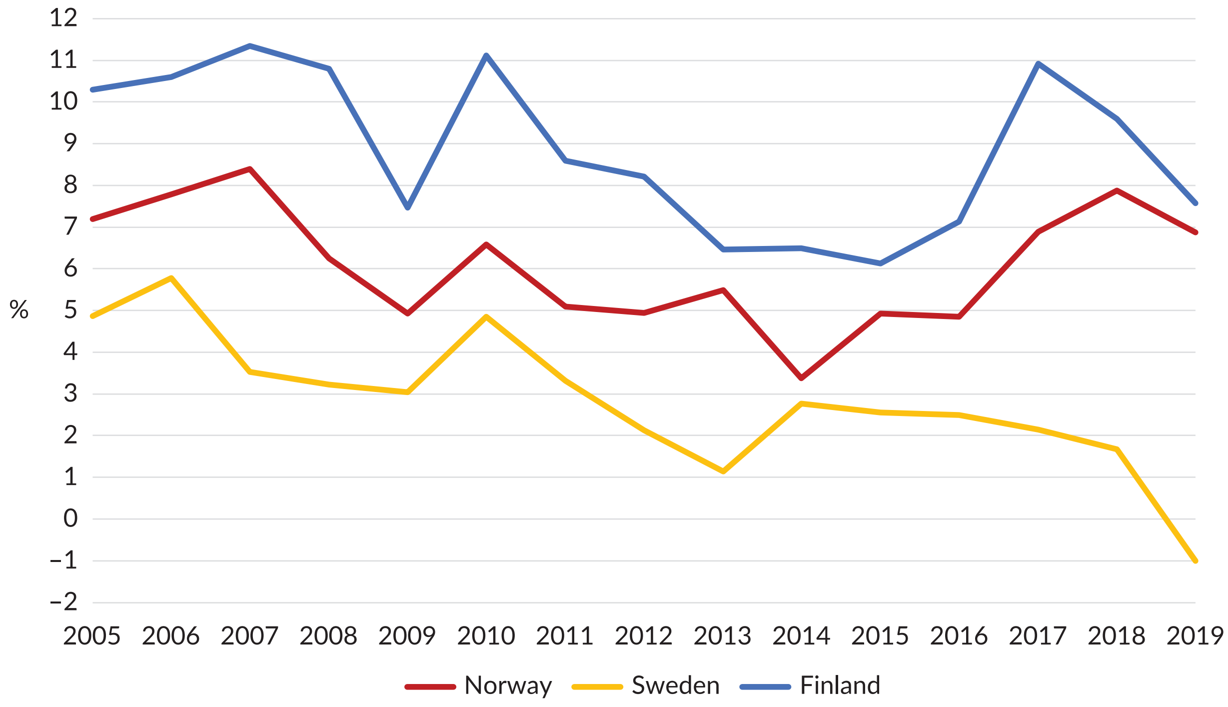

Figure 3. Median of the EBITDA margin (%), 2005–2019.

primarily determined by the company's profit distribution goals. From the beginning of the 2010s, the median net profit margin of Swedish newspaper publishing companies has remained below 1%, and in 2019, two-thirds (68%) of them were unprofitable. By contrast, in Norway, only a fifth (21%), and in Finland, a little over a fifth (23%) of newspaper publishing companies were unprofitable in 2019 (see Figure 4).

The equity ratio (%), calculated by dividing a company's capital and reserves/equity by its total assets, assesses the company's financial stability. This signifies the company's robustness and its ability to withstand losses and manage long-term liabilities, as the assets act as safeguards against potential losses. If the capital reserves diminish, even a single unprofitable year could severely impact the company. When a company demonstrates stable but consistently high losses despite reasonable profitability, it indicates low self-sufficiency. A low equity ratio poses significant risks, especially when profitability declines.

Hence, companies should maintain substantial safety margins to prepare for possible downturns. A higher equity ratio provides companies with more flexibility, reducing their vulnerability to economic fluctuations and other changes in the business environment. Companies with lower solvency ratios than their competitors are typically the first to face challenges during economic downturns. Additionally, the equity ratio is often influenced by a company's age, with established firms usually having lower debt levels compared to their younger counterparts. According to the Yritystutkimus ry (2017), the norm values for equity ratio are good if higher than 40%, satisfactory if between 20 and 40%, and poor if below 20%.

The median solvency of Finnish newspaper publishing companies has been at a very good level throughout the audit period and at a higher level than in Norway and Sweden. Thus, when viewed at the industry level, the readiness of newspaper companies in Finland to cope with economic disruptions and temporary losses

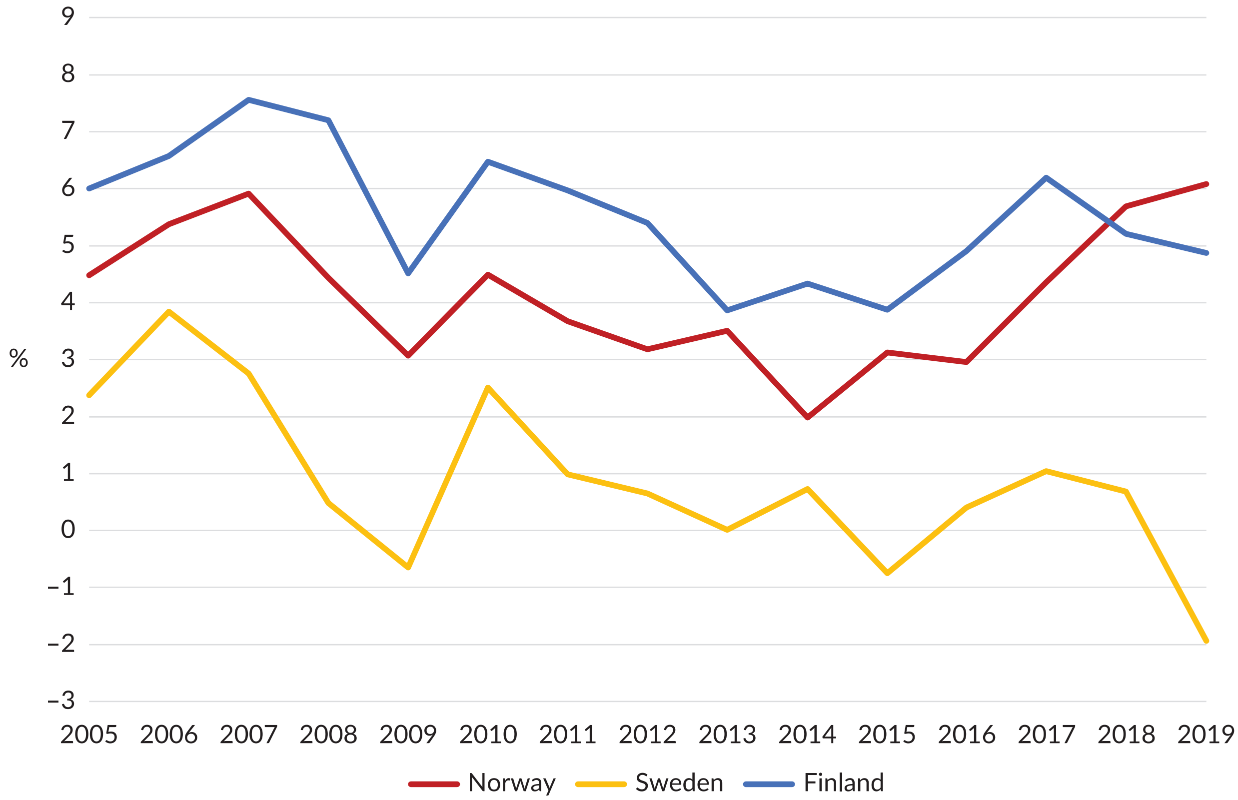

Figure 4. Median of the net profit margin (%), 2005–2019.

was the best in the three countries studied. At the beginning of the review period in 2005, the solvency of the newspaper publishing industries in Norway and Sweden was at approximately the same level. However, since the beginning of the 2010s, the median equity ratio of Swedish newspaper publishing companies has dropped significantly to a lower but still satisfactory level (see Figure 5).

There are considerable differences in the situations of companies, even within countries. The lower the company's equity ratio, the more unstable the company's business foundation is built on. In Finland, one-sixth (17%) of newspaper publishing companies have a low equity ratio. The corresponding share in Norway was 23%, and in Sweden, it was 27%. Such a low equity ratio weakens their loss tolerance and opportunities to cope with challenging economic conditions and the contraction of the economy caused by the Covid-19 pandemic.

Liquidity refers to a company's capacity to fulfil its financial obligations promptly and affordably. If a company fails to pay salaries or make essential purchases due to poor liquidity, it might face insolvency. Liquidity can be assessed through both static balance sheet analysis and dynamic cash flow-based indicators. The dynamic perspective evaluates whether a company's income is sufficient to meet its payment commitments, while the static viewpoint provides a snapshot of the company's financial position on the balance sheet date. In this study, we assessed companies' static liquidity using the current ratio, which gauges a company's ability to sustain itself with short-term assets that can be quickly converted into cash. The Committee for Corporate Analysis typically categorises current ratio values into indicative norm values as follows: excellent (>2.5), good (2–2.5), satisfactory (1.5–2), poor (1–1.5), and weak (<1).

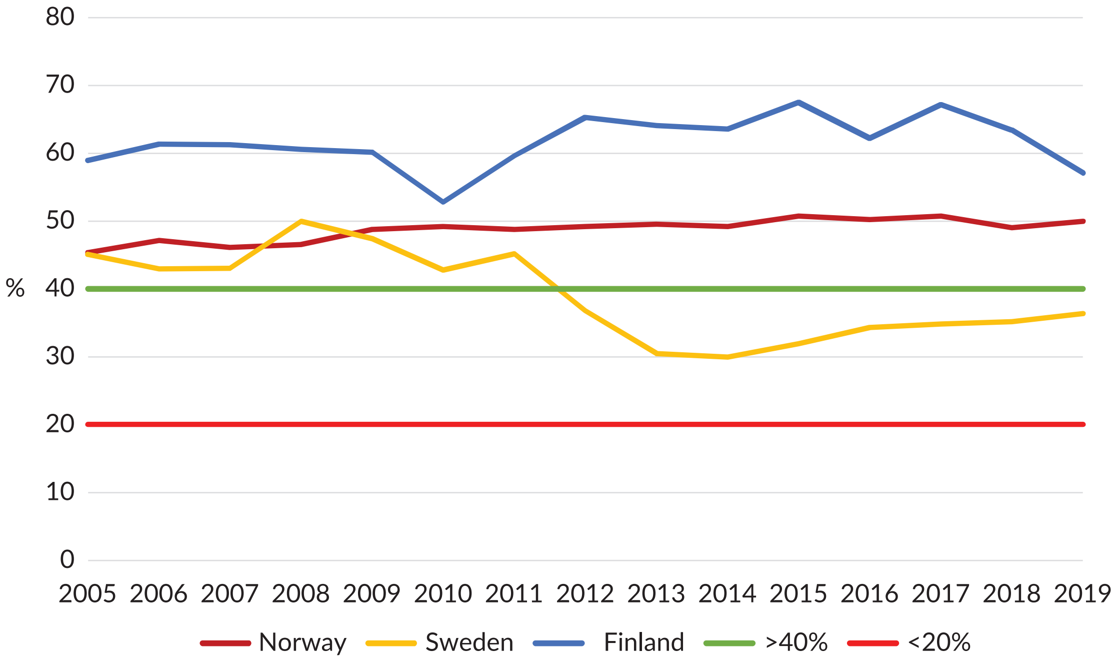

Figure 5. Median of the equity ratio (%), 2005–2019.

The liquidity of newspaper publishing companies in all three countries was at a satisfactory level during 2005–2019, the period under review. In Norway, the trend curve for the development of liquidity is slightly rising, while it is somewhat decreasing in Sweden. In Finland, the trend curve for this indicator is more or less stagnant. In 2019, the median quick ratio was 1.67 in Norway and 1.45 in Finland. In 2019, the corresponding figure in Sweden dropped to 1.18 and thus approached the border of "weak" (see Figure 6).

Value added signifies the value generated by a company's production factors. It holds significant importance, directly impacting the company's ability to compensate its workforce and generate profit. Analysing the ratio of value added to personnel costs offers insights into the relationship between labour expenses and the value produced. This ratio provides a relative perspective, eliminating distortions, such as exchange rate fluctuations or inflation. Unlike a direct measure of productivity, it gauges a company's efficiency concerning money spent on employment, irrespective of workforce size. The crucial benchmark is 1: If the ratio falls below 1, it indicates that the generated value does not cover employment costs, leading to operational losses.

The productivity of Nordic newspaper publishing companies developed quite moderately throughout the review period. At the industry level, both the level of productivity and its development have been the most modest in Sweden. In 2019, the median value added per personnel cost already fell below 1 (0.97) in Sweden. In both Finland and Norway, the development of productivity has been modest as well, and in 2019, the median in both countries was well below 1.2 (see Figure 7).

Z-score is a combination of three variables (1.77 × percentage of financial results + 14.14 |*times* quick ratio + 0.54 × equity ratio) that measure profitability, liquidity, and solvency. It can be used to predict bankruptcy. Three-variable Z-score's indicative values are as follows: excellent over 40, good 28–40, satisfactory 18–28, poor 5–18, and extremely poor under 5. The average bankruptcy risk in the newspaper publishing industry is not particularly high in any of the countries under review (see Figure 8). However, there are considerable

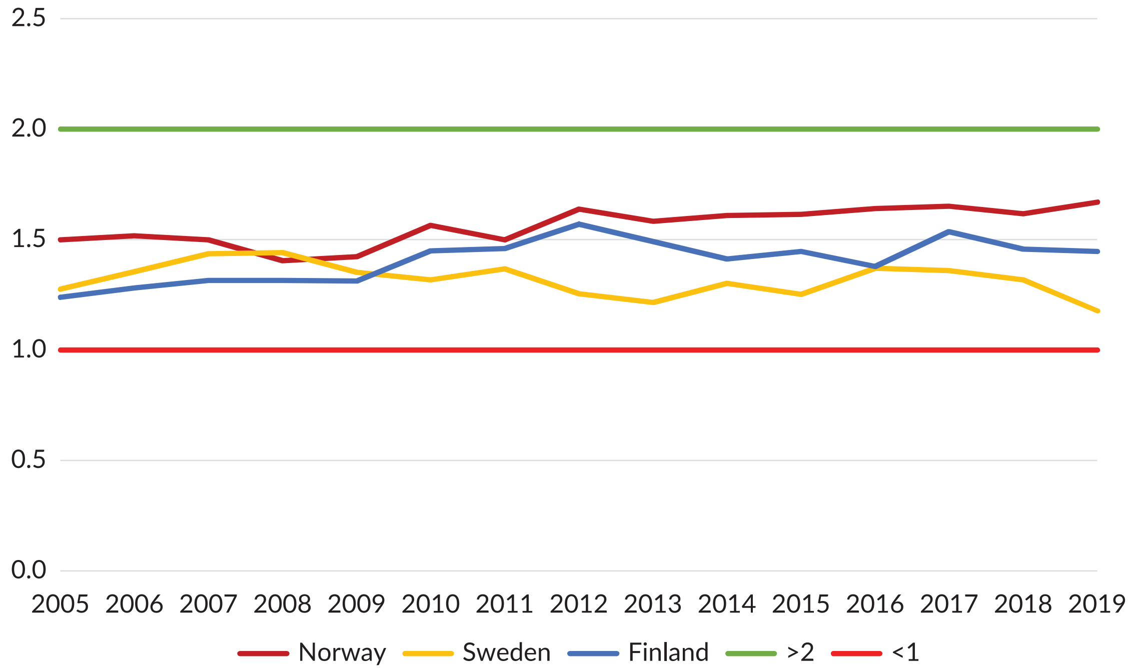

Figure 6. Median of the current liquidity ratio 2005–2019.

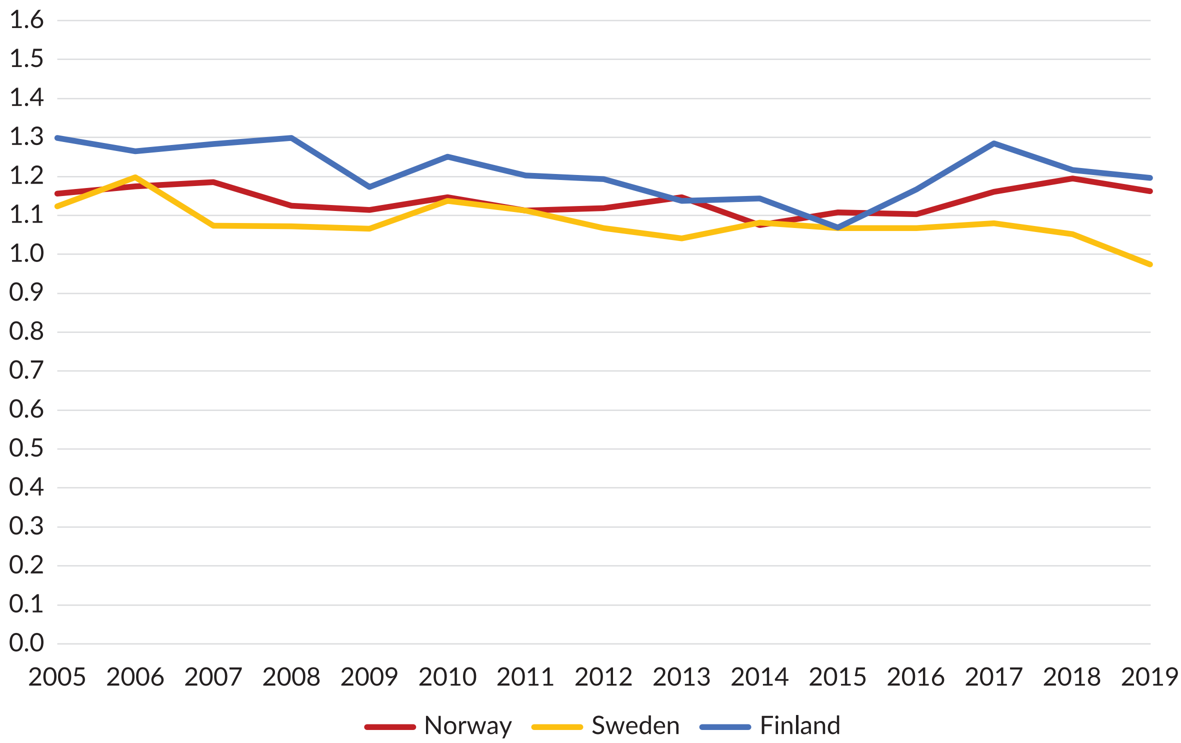

Figure 7. Median of the value added per personnel costs, 2005–2019.

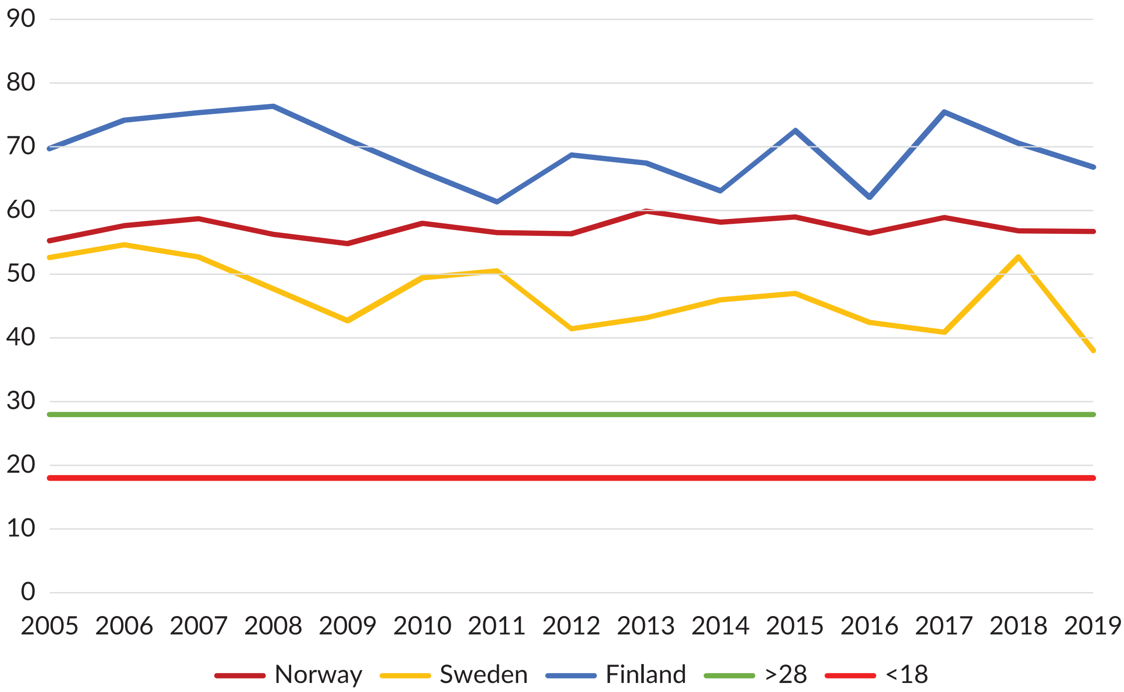

Figure 8. Median of the three-variable Z-score, 2005–2019.

differences in the financial situations of companies within the industry. In 2019, the share of companies at high risk of bankruptcy was less than 3% in both Finland and Norway. On the other hand, the share of companies in a similar situation in Sweden was significantly higher, one-sixth (17%).

To enhance our financial analysis, we introduced a scatter graph (Figure 9) that incorporated productivity and profitability metrics as axes. The graph plots net result percentages, using 0% as the midpoint and the median value added per personnel costs (1.13) of companies. These axes categorise companies into four quadrants representing their economic conditions: swamp, capital graveyard, kindergarten, and business class, as defined by Paasio et al. (1994).

Companies with low profitability and productivity are positioned in the swamp quadrant. Notably, one-quarter (26%) of Nordic newspaper publishing companies fall into this category. The capital graveyard quadrant consists of companies that are unprofitable, despite having above-average productivity. Only about 2% of the analysed newspaper publishing companies belong to this group.

Companies situated in the kindergarten quadrant exhibit low productivity but manage to maintain profitability. This quadrant accommodates a notable one-quarter (24%) of all analysed Nordic newspaper publishing companies. In contrast, the business class quadrant comprises industry elites—companies that are both profitable and demonstrate strong productivity. In 2019, nearly half (48%) of the newspaper publishing companies analysed fell into this esteemed category.

A closer look at the four-quadrant analysis reveals a significant difference in the situation of the three countries' newspaper publishing companies. In the analysis, one-fifth of both Finnish (20%) and Norwegian (19%) newspaper publishing companies are situated in the "swamp." In contrast, three out of five (60%)

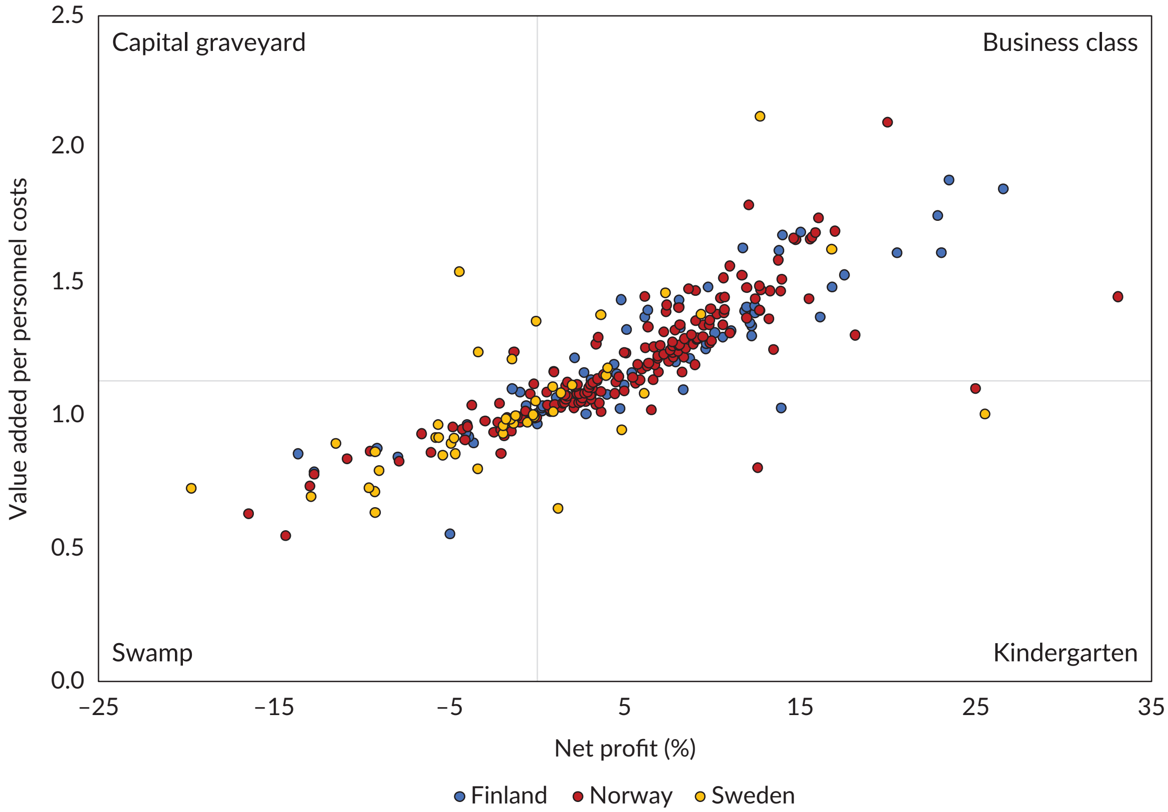

Figure 9. Nordic newspaper publishing companies on profitability–productivity axes in 2019.

Swedish newspaper publishing companies were situated in this quadrant. In addition, almost all firms that are unprofitable, despite better-than-average productivity, are Swedish newspaper publishing companies. However, segmenting these companies based solely on median productivity and profitability could be deceptive. This method overlooks the possibility that certain outcomes might be unusual, temporary, or influenced by specific business choices or uncontrollable national economic factors. Consequently, some companies placed in less favourable quadrants might actually be performing quite close to the industry average (Paasio et al., 1994, p. 44).

6. Conclusions

In their classic study, Hallin and Mancini (2004) found Denmark, Finland, Norway, and Sweden to be examples of the democratic corporatist media model together with Austria, the Netherlands, Belgium, Germany, and Switzerland. The Nordic countries were most like one another in the entire sample. This was later a partial inspiration for the idea of the Nordic "media welfare states," which reflects a certain Nordic exceptionalism (Ala-Fossi, 2020; Kammer, 2016; Syvertsen et al., 2014). However, many of the features of the Nordic media system, such as public subsidies for the media, have also been used elsewhere in Europe and the industrialised Western world. For example, indirect support for paid print media incumbents was the largest form of public media subsidy in the United States in 2008 (Nielsen & Linnebank, 2011). Yet, the shared context, political and commercial preconditions, and the relative similarity of the Nordic media markets still make them, in most cases, highly comparable national case examples (Lund, 2007).

In the Nordic context, the volume of indirect press subsidies is much higher than that of any direct subsidy. Indirect subsidies, such as VAT support and postal delivery subsidies, can be understood as business subsidies, as they are aimed at all operators in the entire industry and, because of their scope, they favour the largest operators. In other words, they speed up the concentration of ownership and the consolidation of the industry but do not help with adaptation or renewal but rather support and maintain current structures. The objective of direct subsidies, on the other hand, is to maintain media pluralism, so perhaps it can be said that these support systems, despite their common conservatory nature, have slightly conflicting goals in the current conditions. Irrespective of the specific policy objectives of the subsidies, from the industry perspective, the subsidies are just economic resources that the companies are using for their own business purposes. Yet, when constructing and managing policy, policymakers must correctly identify the problem they wish to address and construct solutions that actually address the root causes of the problem (Picard, 2007).

The driving forces of change in the newspaper industry have been consistent across all three studied countries: Sweden, Norway, and Finland. Shifts in consumer behaviour, the fragmentation of the advertising market, heightened competition, and technological advancements have reshaped how media is consumed and marketed. This has led to increased competition for consumers' time and money. Across these nations, the numbers of newspaper titles, printed newspaper circulation, and readership have all declined. Moreover, the share of newspapers in media advertising, particularly that of print newspapers, has decreased significantly. Concurrently, the influence of global platform giants, particularly in the realm of digital advertising, has continued to grow. This trend has persisted across all three Nordic countries under examination, while their differing capacities to maintain public spending have resulted in varying approaches to direct and indirect press subsidies. The Finnish national economy has become prone to fiscal crises of the state, and finding political support for new press subsidies is challenging in Finland.

The key finding of this study is that, in Sweden and Norway, direct press subsidies have not been able to prevent the decrease in the number of titles and, importantly, have created a number of support-dependent news media operators who do not have the conditions to survive on the income of their own business. It could be argued that the sheer existence of such support-dependent news media would prove that the subsidies do work as expected. However, while direct press subsidies have been shown to support pluralism aims by sustaining a heterogeneous newspaper structure (Sjøvaag & Pedersen, 2018) and are used specifically for ensuring diversity and supporting the democratic ideal of plurality (Kammer, 2016), direct subsidies seem also to lead to a possibly problematic situation where basically the press subsidy system aims to alleviate and slow down change and maintain the existing situation (treating the symptoms) instead of actually encouraging the industry to reform over time (treating the disease).

This is not just a Nordic phenomenon, as media subsidies elsewhere have largely remained frozen in their late 20th-century forms, not changing to nearly the same extent as the sectors they are meant to support (Nielsen, 2014). The overall question should not be how to best continue to subsidise the news media but rather how to organise digital markets in ways that best serve the interests of democratic societies (Ots & Picard, 2018). As Picard (2007, p. 242) notes, "The Nordic model appears to be based more on rhetoric and good intentions than actually producing and operating a system of support that leads to the desired outcomes." Of course, if preserving a diverse and pluralistic news media structure is the primary goal—instead of creating a financially well-performing one—then the current press subsidy system is the right one.

Based on the key figures from FSA, the Finnish newspaper publishing industry has maintained a stronger financial position (measured by the median) compared to both Sweden and Norway across almost all indicators throughout the review period. In the context of our study, it is a significant conclusion that this has been the case, even though, in Finland, direct subsidies to newspapers have been minimal or have not been there at all, unlike in Norway and Sweden. A noteworthy question for further research, then, is whether the absence of direct subsidies (perhaps together with ownership concentration) has acted in Finland as an incentive to make operations more efficient and streamlined (i.e., "the survival of the fittest") and has thereby led to better profitability, or if there are other factors behind this. It should be noted that the digitalisation efforts of the news media industry in Finland have not been stronger than in Sweden and Norway (sometimes, on the contrary) and thus do not, in our view, explain differences in the financial situations of newspaper publishing companies in these countries. In all, the Finnish news media have not enjoyed such press subsidies that would enable the preservation of their business model as it is or would offer "artificial respiration" for the ailing business of many news media companies in the condition of "failing slowly" (Villi & Picard, 2019). Thus, along with Neff and Pickard (2023), we note that the Nordic media support model cannot necessarily be transplanted into other countries as a bundle of solutions to news media's struggles.

While our analysis relies on financial data, we acknowledge the potential for a more comprehensive understanding of the Nordic news media industry by integrating qualitative insights from industry experts and policymakers and statistical data analysis. Additionally, future research avenues could delve deeper into the effectiveness of subsidy policies, exploring their impact on media pluralism, journalistic quality, and public access.

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Conflict of Interests
The authors declare no conflict of interests.

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