

Report on Social Exclusion in Finland

First Progress Report written for the European Commission, DG Employment

Group of non-governmental experts in the fight against poverty and social exclusion

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25 pages.

Executive summary

The aim of this report is to assess the content and the structure of policies against poverty and social exclusion in Finland. The report covers the time-span up till early March 2003. First, the institutional structure of poverty and exclusion policies in Finland will be introduced. Secondly, structural challenges and key policy responses will be reviewed. Thirdly, in relation to the second theme, the reception and related policy positions of the open method of co-ordination will be assessed in some detail. Fourthly, the implementation and the recent follow-up process of the NAPinc will be introduced. Finally, the content and objectives of preparatory work for the second NAPinc will be assessed.

Before the NAPinc the governments of Finland (and more broadly the Council of the State) did not have specific policies against poverty and social exclusion. In fact, it was only the programme of the Lipponen's II government (for the years 1999-2003) when the concept social exclusion was mentioned in such an official document. In Finland, the institutional model of social protection is based on collectivity, risks, residence, and individualised rights. These principles explain quite clearly why the NAPinc was produced only after the major external input from the European Union. The idea of action plan does not fit without some institutional and mental adjustment into the Finnish system of social protection. This adjustment took some time. It turned out, that the first round of the NAPinc (2001-2002) had four major consequences for the Finnish social policy-making. It made union endogenous for social policy-making, strengthened the position of NGOs, forced the Ministry of Social Affairs and Health, and others to learn a new approach, and caused some constitutional disagreement.

All relevant organisations and ministries have been involved in drafting the NAPincs. Organisations include all major employers' and employees' confederations and the association of Finnish local and regional authorities, and major research institutions (like STAKES and Statistics Finland). Ministries involved include the Ministry of Social Affairs and Health, the Ministry of Labour, the Ministry of Education, the Ministry of Finance, and the Ministry of Environment. The OMC itself has received much attention in Parliament and its Grand Committee (responsible for EU-affairs). Constitutional committee, among others, have paid detailed attention for this method, assessing that the Parliament should be more involved in drafting and processing national action plans, which may have some policy effects at national and European levels. Furthermore, they have also scrutinized in a detailed way the potential legal and constitutional deficiencies of the process based on the political conclusions of the Lisbon European Council.

In Finland, four structural or institutional constraints, all inter-linked, are regularly observed and, consequently, systematically taken into an account in all policy-making. This applies to social policy, too. They are international competitiveness, stability of public finances, the priority of employment, and changing demographic structure. Comparatively speaking, all these are common for all member states, and a major reason for defining common objectives and designing modernisation strategies. However, there is surprisingly large consensus among policy-makers on the most significant policy challenges that face Finland in the forthcoming years. Evidently, all of them have always taken account in designing any policies. The questions regularly asked are, for instance, what sort of impact this or that proposal will have on international competitiveness, public finance, employment, and demographic ratio. To sum up, it is widely recognised that there are some processes, which may in the long run cause some intensification of exclusion among the vulnerable groups and which require some systematic attention and political

responses. These groups include, for instance, families with children living in poverty and long-term unemployed.

The Finnish NAPinc process did not include any major new political initiatives. An extremely short time span (less than six months) did not make such new initiatives possible. Such reforms were also technically impossible as the plan was completed in July 2001, whereas the first round of budgetary negotiations for the year 2002 was completed in March 2001. Furthermore, in Finland the budget framework is usually determined some three to four years in advance, and only a very limited adjustment within such a long-term framework is usually allowed in policy negotiations between the Ministry of Finance and other ministries. Finally, taking an account the fact that Finnish political culture considers empty promises (that is promises without secured finance) unacceptable, no such measures were put forward. According to many observers, the outline of the NAPinc did not devoted sufficiently strong attention for such an existing, well-established structures, which form the major bulk of all policymaking. Instead, it can legitimately be argued that in some parts of the NAP outline agreed in Social Protection Committee a relatively excessive amount of attention has been paid to the new reforms and individual projects. Consequently, it was commonly argued that Finland should not pay so much attention for new initiatives and project of minor scale, but instead to continuously underline and re-introduce the institutional model of social policy, based on some general principles.

It is also noteworthy that the MSAH has asked a large number of comments regarding the content of the NAPinc from academic experts, interests groups (including those of civil society). In those mainly comments, the plan has been criticized from numerous perspectives. Among others, it has been pointed out that plan should have more political content and it should focus more the most excluded groups.

Due the March 2003 general Parliamentary elections, a significant number of working groups of various importance and status have been operating during the first months of 2003, aimed at providing some input for the forthcoming government programme. To some extent, this may be a Finnish speciality. In Finland, the civil servants draft a large number of policy proposals for the negotiations to be conducted in early April 2003. Usually, drafts include several alternative options or scenarios, as well as estimates on fiscal costs and organisational consequences. These proposals are intended to maintain some continuity in policy-making. The practice also reflects the broad consensus over major political issues, cemented by strong administration, corporatist practices and multi-party-governments, which all have representatives in these committees and working groups. To sum up, on the basis of evidence available at the time of writing this report, it is quite clear that poverty and social exclusion will not be the key themes of electoral policies among the three largest parties – the Coalition Party, The Central Party and the Finland's Social-democratic party (although information is not available on the position and promises of SDP's).

The MSAH itself has invested quite heavily for this NAPinc., including some top experts and policy advisers. The Ministry consider NAPinc as opportunity to get more involved with writing of government programme after the March 2003 elections. The objective, also included in the work-memorandum of the NAPinc working group, is to provide input for these negotiations. This is considered quite central, as before the March 1999 elections, the MSAH has only a limited role in defining policy objectives in this field, as there was an external working group (known by the nickname "Hunger Group"), which organised by some top actors in a Finnish society, dealing with these issues. While the Ministry was fully informed the activities of this group, it nevertheless shifted some initiative power outside the Ministry.

It seems evident that the forthcoming NAPinc's outline is likely to be followed more closely than in 1st NAPinc, when some degrees of freedom were deliberately taken.

Regarding to the revisions of the NAP outline – such as a closer linkage with budgets, EU-structural funds, gender mainstreaming, and target indicators – some mainly technical, but also political problems are likely be expected. First, while there will be no proposals without budgetary information, it nevertheless will be problematic to find sufficiently strong and binding political commitments overt this issue. The linkage with structural funds is still weak - partly due to the ministerial division of labour between the MSAH and the Ministry of Labour, which (together with the Ministry of the Interior) is responsible on structural funds. Evidently some co-operative work can be done here. Gender mainstreaming causes no problems (due to the universal structure of the system); neither it will provide any major added value.

To conclude, sufficient it is to say that Finland has some reservations with the OMC and NAPinc, which are to some extent legitimate from the point of view of constitutional structure (the position of the OMC constitutionally unclear), political tradition (there is no tradition of poverty programmes), and institutional structure (universal and institutional social policy). However, within these constraints, it is a general impression that Finland is learning rapidly. They are actively seeking added value both at national and European level, and there is a strong (although not by means full) support for this method at the Ministries and civil society. Labour market organisations seems have more sceptical, which may reflect their earlier experiences with employment NAPs and their vested interests. Their position, however, does not indicate that they would rather withdraw than continue to co-operate with other actors involved in questions and policies dealing with poverty and social exclusion in Finland.

Key Words:

NAPinc., social protection, exclusion, poverty, structural challenges, different policy options in 2003.

1. Introduction

This report aims to analyse the implementation of the first National Action Plan against Poverty and Social Exclusion (hereafter referred in text as the NAPinc) during 2001-2002, to assess the implementation of the main political measures, the institutional arrangements in place, the mobilisation of all actors and possible changes in the context or political priorities. Hence, the aim of this report is to assess the content and the structure of policies against poverty and social exclusion in Finland. The report covers the time-span up till early March 2003.

First, the institutional structure of poverty and exclusion policies in Finland will be introduced. Secondly, structural challenges and key policy responses will be reviewed. Thirdly, in relation to the second theme, the reception and related policy positions of the open method of co-ordination (hereafter referred in the text as the OMC) will be assessed in some detail. Fourthly, the implementation and the recent follow-up process of the NAPinc will be introduced. Finally, the content and objectives of preparatory work for the second NAPinc will be assessed. The report will end with some policy-conclusions and it draws from several interviews, written sources and documents of various kinds, and personal observations. Most sources are available only in Finnish. Due to a language barrier and the lack of space, it evidently makes no sense introduce them here. However, all written sources are available on request.

2. The structure of poverty and social exclusion politics

Before the NAPinc the governments of Finland (and, more broadly the Council of the State) did not have specific policies against poverty and social exclusion. In fact, it was only the programme of the Lipponen's II government (for the years 1999-2003) when the concept social exclusion was mentioned in such an official document. Even then, the concept played a secondary role compared to more conventional approaches to social policy. On the basis of the current government programme, the key ministries (the Ministry of Social Affairs and Health (MSAH), the Ministry of Labour, the Ministry of Education, and the Ministry of Environment) established a network (later a working group) aimed at co-ordinate their activities against poverty and social exclusion. It co-ordinated, monitored overlapping activities and gaps, and shared information. It also did some policy proposals, with a limited success. It can be considered as a sort of pre-NAPinc exercise. This permanent working group continued its rather a low profile activities until the March 2003 elections.

The political philosophy and institutional logic behind this approach is the universal structure of the Finland's social model and social protection. (This was also highlighted in the NAPinc). In Finland, the institutional model of social protection is based on collectivism, risks, residence, and individualised rights. In the following these principles are introduced in some detail.

Collectivism refers to an extraordinary broad coverage of first pillar, or law-based social protection in relation to occupational and private schemes. Agreement *de facto* concluded between labour market organisations on, say, pensions or unemployment benefits are without major exceptions later transferred into binding laws. (For instance, in pension policy, reforms on first pillar pensions are negotiated between labour market partners). As there are no upper ceilings in earnings-related pensions, sickness insurance

or unemployment insurance, all income groups involved are largely satisfied with the institutional structure. Consequently, the role of second pillar benefits and private insurance is exceptionally limited by European standards. The same arguments apply also to social and health services. There are no major cleavages within the systems of social and health services that would directly reflect the socio-economic status or income level of the persons involved. For instance, childcare services are available for all children under the age of seven regardless of income, employment or family status of the adult member(s) of the household. In health services, there is, regrettably, some polarisation along social lines between private health services often subsidised through (a public) sickness insurance (which is in turn mainly financed by employers and employees) and public health services organised by municipalities, heavily subsidised through taxation. Traditionally Finland has considered its social policy as a *risk-based system* where the package of social transfers and services protects households exposed by social risks such as aging, unemployment, sickness etc. By underlining the crucial role of risks Finland has emphasised that the aim of social policy is to provide the sufficient level of social protection and well being for all households and residents in Finland, rather than to provide some, low-level, targeted, and means-tested protection against poverty. Furthermore, the idea of redistribution paradox is widely accepted in poverty politics, indicating that the extensive (or encompassing) redistribution of resources in a society, provides higher level and better quality social protection for the poor and the excluded, than the programmes and benefits targeted and ear-marked exclusively for them.

Therefore, Finnish authorities have carefully tried to identify and differentiate social risks from each other, and then constructed the comprehensive package of transfers and services around the identified risk. The way of thinking has been based on the idea of institutional design (albeit such a concept has been invented only recently) or incremental policymaking; organisations involved have been also to meet their objectives by designing public (legal-based) institutions in appropriate ways. The major emphasis on institutions and institutional solutions has left virtually no room for temporal action plans or similar programmes. To a lesser or larger extent, related transfers and services are co-ordinated. Such co-ordination policies have been very successful in child and family policies and unemployment policies, where services and transfers are well co-ordinated to provide internally coherent package. In an aging policy, such packages are less well co-ordinated. Nevertheless, strong and continuous emphasis on risk-based model has made poverty a residual category in policy-making. In fact, for many years, the whole issue of poverty was not at political agenda at all and it still has – together with exclusion – only a limited role in social policy.

Residence-based refers to the tradition where the residence, rather than employment status, determines the entitlement to insurance in certain benefits. Due to course of the European integration, Finland has adjusted the entitlement rules of some benefits (such as national (public) pension) in order to maintain the symmetry with the work-based social security systems by relating the amount of the benefits to the years of the residence. However, it still a rather dominant and many central principle in Finnish social policies. It is a commonly known fact that such a residence based structure of certain benefits and services provides a reasonable

protection against fiscal poverty and social exclusion. It also is a matter that is highly valued in Finland.

Finally, all (or most) social rights and duties (including income tax, but with the partial exception of certain tax deductions) have been *individualised* during the mid 1970s. Such institutional reforms provided women strong incentives to invest in human capital and participate at labour markets. Consequently, the labour market participation rates and the level of education rapidly increased. The idea of equal opportunities between genders was further supported by the expansion of social services that emancipated women from unpaid caring work. The availability of social services was rapidly expanded from the most vulnerable groups towards larger coverage. From the mid 1990s such subsidised services have been available for all children under the school age. Recent research on the costs and benefits of caring services also indicate quite clearly that the amount of taxes women pay typically exceeds the amount of subsidies municipalities pay on those services. Consequently, social services are often considered as productive investments. There has been some discussion on possible positive consequences of family taxation, especially among the political right; however, no-one has recently suggested any derived rights to social security, or social protection.

Above-mentioned principles explain quite clearly, why the national action plan was produced only after the major external input. The idea of action plan does not fit without some institutional and mental adjustment into the Finnish system of social protection. This adjustment took some time. The process is worth of reviewing in a following section.

3. The reception of the OMC in Finland

The first round of the NAPinc had four major consequences for the Finnish social policy-making. It made union endogenous for social policy-making, strengthened the position of NGOs, forced the Ministry of Social Affairs and Health, and others to learn a new approach, and caused some constitutional disagreement. These arguments are reviewed in detail in the following.

First, and perhaps most crucially in a long term, the OMC made European social policies (social protection) *endogenous* for the Finnish social policies. This does not indicate that the Finnish social policy makers would not have closely monitored the stream of communications on modernisation and improving social protection, and drawn some policy conclusions out of them. Among other things, key concepts of the European policy rhetoric, such as social policy as a productive factor and social quality (as introduced first by the Amsterdam Declaration and later by Social Policy Agenda) have been adapted into the Finnish social policies. Nevertheless, these documents and their argumentations were generally considered as *exogenous*, and to some extent without direct consequences for the national policymaking. Since the NAPinc, and later with PensionNAP (and related Joint Report to be submitted for the March 2003 European Council), it has been clear for all actors involved that the Union and its policies are an integral and endogenous parts of national policy making, and it has some consequences for the ways the Finns and their organisations think about social policy. Of course, it should be pointed out that the OCM-process is not an only European factor that has had some impact on this shift from exogenous to endogenous thinking. Beside it, one may mention the court rulings on the free

movement of (health) services from Kohll (C-158/96) and Decker (C-120/95) onwards, and some important nationally important cases related to social services (C-333/00) and gender equality (C351/00). Furthermore, work of the Convention in general, and especially working group XI on social policy and labour relations have clearly increased the general awareness on European Social Model, common European processes and common objectives.

Secondly, the NAPinc clearly strengthened the position of NGOs and the evangelic-Lutheran church (hereafter referred in text as the Church) in policies against poverty and social exclusion. Conventionally, the reforms in risk-based social policy have been negotiated in between the state and labour market organisations, and municipalities (and their confederation "the Association of Finnish Local and Regional Authorities). In social insurance policy area the reforms were often negotiated as a part of incomes policy agreement (commonly known as social packages). In services, the state and municipalities have been key negotiators. In recent years, the state has financed a quarter of the reform costs through a grant system¹; municipalities, which are responsible in implementing the laws, cover the rest.

Typically, the NGOs have had a right to make "statements" on proposals, or they have been "heard" in the course of negotiations. Evidently, such statements are only of limited political importance. However, since poverty and social exclusion emerged into political agenda, the church and NGOs have become more directly involved with debate and negotiations. To some extent, they have integrated into these processes.

In the first round of the NAPinc, the EAPNfin (European Anti-poverty Network in Finland) and the Church had their full representatives in a working group and they actively participated in drafting the NAP. For them, it took some time to adjust their approach from pressure groups to partners who were responsible in drafting a *national* action plan. Furthermore, they had some difficulties in organising their own internal hearings in the course of the rapidly evolving process. In fact, most of their complains dealt with this issue. In addition, they to some extent suffered from lacking sufficiently detailed knowledge on the institutional structures of social policy and political working practices (including the rules of confidentiality, budgetary procedures and working methods).

In the longer run, it is nevertheless crucial that these organisations have now permanently established their position around the table. They consider this opportunity valuable. Evidently they are rapidly learning new working methods and are ready to make their own proposals and initiatives.

The first ground also clearly indicated that some NGOs, especially those specialised in disabilities of different kinds, have sufficient, some even

¹ The grant system in Finland was reformed in 1993 and 1997. Before the reforms, the grants were more or less earmarked so that the state paid certain per cent of the accepted costs. However, since then the grant system consists of a general grant, and grants for social services, health services and education. All of them rely on, and are paid on the basis of some structural features, of which the demographic structure is the most important. However, municipalities have a right to spend their grants to any purpose they wish as long as municipalities fulfil their legal duties. In other words, it can use its grant for social services to health care as long as it provides also those social services that are granted for citizens by law.

superior expertise in their fields, compared to many governmental actors. The next plan will greatly benefit from their efforts. Furthermore, the NGOs are clearly increasingly willing to introduce their actions and projects into a plan, rather than to exclusively concentrate on pressuring the state and municipalities (labour market organisations do not much care on such pressures, anyway) to make new reforms and introduce new proposals and projects. The church, in turn, has already decided to mainstream the politics against poverty and social exclusion into their action.

It may be self-evident, but nevertheless worth mentioning, that all relevant organisations and ministries were and are involved in drafting the NAPinc. Organisations include all major employers' and employees' confederations and the association of Finnish local and regional authorities, and major research institutions (like STAKES and Statistics Finland). Ministries involved include the Ministry of Social Affairs and Health (every major department has its representative, referred as MSAH later in the text), the Ministry of Labour, the Ministry of Education, the Ministry of Finance, and the Ministry of Environment. The working group is also well resourced, with three secretaries and the number of specialists. Finally, one may mention that key political parties have their channels into this process.

Thirdly, the NAPinc forced the Ministry of Social Affairs and Health to learn a new approach to poverty and social exclusion. All of actors are equal, but some of them are more equal than others: in other words, in the last instance, the Ministry of Social Affairs and Health plays a leading role. Despite the fact that the processes were agreed during the Finnish presidency, in November 1999, the MSAH has had some difficulties to adjust its strategies in relation to the OMC.

In early stages of the process, there seems to have been some mutual misunderstanding on the proper role of the Commission in this process. Finland considered it appropriate to emphasise the inter-governmental characteristics of the OMC, where the Commission's role was clearly secondary. However, it seems that the role of the Commission turned out to be more central than the MSAH expected. The idea of presenting classification was not agreed beforehand in the SPC; it also quite an evident that such a classification had some similarities with the recommendations of NAPempl. However, in Finland the NAPemp and the OMC were considered qualitatively different kinds of processes. Furthermore, the question of some importance was whether similar classifications will later be introduced to pensionNAP and healthNAP.

More recently, however, it is increasingly clear that the MSAH has changed its approach. In several public seminars and interviews, top civil servants have pointed out some potential benefits of the OMC at the field on social protection in general, and in inclusion/exclusion policies in particular. It has been claimed, among others, that this method may have positive consequences at European level. It probably is, so the argument goes, the best feasible method available for co-operation in an enlarged union. It also has regularly been pointed out that political co-operation may have certain benefits as it makes it possible to counter-balance economic guidelines and economic/fiscal co-operation, and consequently, European co-operation may create additional room for a national and local policy-making. Today, the MSAH has probably the more positive attitude towards the OMC than any other ministry in Finland, of which some actively still resist the expansion

and applications of the method. (As will be explained later, the parliament and its committees have still maintained a rather negative interpretation),

The debate on the proper role of the Commission in the OMC has virtually vanished. In fact, it seems that instead of zero-sum game, the OMC is considered a sort positive-sum-game, which simultaneously benefits both DGEmp and MSAH in relation to other actors involved, and it may have some positive consequences for the well being of the citizens, too. The only dimension of the OMC that has clearly failed is the idea of mutual learning based on joint report, peer reviews, and all that. So far, there is no evidence whatsoever that the ministries or other actors involved would have invested in such learning processes, or the institutional models would have replicated from other countries to Finland (or *vice versa*). However, it also is quite an evident that it is too early to make any conclusions in this respect.

Finally, the OMC itself has received much attention in Parliament and its Grand Committee (responsible for EU-affairs). Constitutional committee, among others, have paid detailed attention for this method, assessing that the Parliament should be more involved in drafting and processing national action plans, which may have some policy effects at national and European levels. Furthermore, they have also scrutinized in a detailed way the potential legal and constitutional deficiencies of the process based on the political conclusions of the Lisbon European Council. (Some experts have also pointed out that the concept OMC does not exist in those documents that were submitted to the Parliament before the March 2000 European Council and it is likely that such a proposal would not have been accepted by the Parliament, if they would have had an opportunity to intervene). The parliament has remained very sceptical.

4. Structural challenges, political responses and vulnerable groups

Structural challenges

In all Finnish policies, four structural or institutional constraints, all inter-linked, are regularly observed and, consequently, systematically taken into an account in all policy-making. This applies to social policy, too. They are international competitiveness, stability of public finances, the priority of employment, and changing demographic structure. Comparatively speaking, all these are common for all member states, and a major reason for defining common objectives and designing modernisation strategies. However, in all of them, there are some Finnish peculiarities worth of reviewing here.

First, the maintenance of *international competitiveness* of the export industry seems a generally accepted objective. The Finnish authorities pay systematic and detailed attention to the relative rates of labour costs, including social security contributions, tax rates, and the relative success of Finnish companies. Furthermore, various indices aimed at reflecting relative competitiveness of Finland are carefully monitored. In all major indexes (like those of World Economic Forum (*WEF*) and International Institute for Management Development (*IMD*)) Finland has recently reached top positions. (That, by the way, seems true also in structural indicators). According to them, Finland has managed to find a proper balance between international competitiveness, sound fiscal policies, high employment rate and the reasonable rate of social cohesion. Data series also witness a major

improvement from the early 1990s onwards. Of course, the results have not been accepted at face value. In fact, both the Ministry of Finance and the ETLA [The Research Institute for the National Economy] have assessed the predictive capacity and methodology of all these major indexes, claiming that both their predictive capacity and the chosen methodology have major flaws. Nevertheless, it commonly agreed that the rapid relative improvement in ranks also reflects the real improvement of well being in Finland. Most crucially, the government of Finland has determined to maintain this relative position also in the future.

The *stability of public finance* is another key objective of all policy making. Traditionally, Finland has relied on anti-Keynesian (and pro-corporatist) policies, where public finance have maintained surplus in all circumstances. Consequently, the public economy was virtually debtless in 1990. The recession increased public debt to 60 per cent of GDP. While absolute amount of public debt has remained roughly stable since the 1990s, in relation to GDP it has decreased somewhat rapidly. All sectors of public economy – municipalities, the State, and pension funds – have recently been on surplus. Furthermore, in 1998, Finland established a buffer fund in unemployment insurance, aimed at absorbing asymmetrical shocks. Buffers were filled in 2001. Its public economy seems to rest on sound foundations, and Finns have recently greatly benefited from lower interest rates and lower transaction costs, which are at least partly due to the European Economic and Monetary Union (EMU).

The government of Finland has also learnt to think public economy as a one totality (rather than focusing on the fiscal affairs of the state). It also has created an institutional structure for framework budgeting, where the budget frames are agreed several years beforehand in order to maintain the stability of public economy, and the continuity of fiscal policies. (Among other things, electoral cycles has no impact on fiscal expenditure). Under these circumstances, it is evident that Finland gives the stability of the public economy a very high priority and respects Stability and Growth Pact probably more than some other member states.

Thirdly, the need to *increase an employment rate* has proved to be an increasingly important policy objective. Traditionally very high rate of employment in both sexes rapidly declined during the recession of the early 1990s – the one that probably was the hardest experienced by any OECD-country since the 1960s. Furthermore, the expansion of post-comprehensive education and early retirement schemes in the 1980s had created some structural anomalies at labour markets. (This withdrawal from labour force in younger and older categories was almost fully compensated by the rapid increase in a labour market participation rates in the age groups between 30-55). This further decreased the labour market participation rate.

During the recession (the first half of the 90s), the unemployment soared and employment rates decreased, resulting major social and fiscal problems. Consequently, all government since the 1995 general election have put major emphasis on the increase of employment rate and labour market participation rate. Early retirement schemes have been revised, age limits of different kinds have been risen, and more emphasis has been given for education and rehabilitation (instead passive transfers). Due to rapid aging to be expected in the 2010s (to be dealt later), the employment must be increased significantly over the period of the next ten years in

order to maintain present absolute labour force available at markets. (Cynical observers argue that the objectives will not be reached under the present set of labour market rules and social norms).

The *ageing* itself is the greatest challenge for Finnish social policy. The proportion of the retired population will increase very rapidly from 2005 onwards, as the baby boomers of the 1940s will retire. The forecasts indicate that the years in retirement (64+) will increase significantly. While the life expectancy in the age of 65 is still relatively short in Finland, compared to that, say, Sweden, Finns are nevertheless living longer than earlier. The actual age of retirement has increased in recent years. The proportion of population receiving pensions in age group 55-59 has decreased from 40.5% in 1990 to 29.7 % in 2000, and but remained a rather stable in an age group 60-64 (78,8% to 78.2, respectively).

However, this does not necessarily compensate the difference and the increase caused by an increasing life expectancy in age group 64+. To make things more complicated, the generations born in 1970s are the smallest since the 1930s; in fact, it was only 1980s when fertility rates and absolute number of children began to increase. Consequently, the smallest generations for decades will have to maintain exceptionally large cohorts of the 1940s and 1960s. In future, up to the 2020s virtually all increases in social expenditure will be allocated to aging persons.

Political responses

There is surprisingly large consensus among policy-makers on the most significant policy challenges that face Finland in the forthcoming years. Evidently, all of them have always taken account in designing any policies. The questions regularly asked are, what sort of impact this or that proposal will have on international competitiveness, public finance, employment, and demographic ratio. However, as regards to social policy in particular, there is a clear paradigm shift within this framework. Earlier social policy-making was relatively autonomous in relation to these objectives, and policymaking, consequently, reflected mainly the different conceptions of fairness and the comparison of well being in different fractions in society. More recently, social policy has been adjusted as by- or side-product of the above-mentioned objectives. Rather than retrenched, however, social policy has been transformed in the course of this process.

Political responses to above-mentioned challenges will be discussed in some detail later in this report. Sufficient to say here, that in terms of public finance, no major increase in benefits levels and social services relevant to the most excluded groups are likely to be expected. There simply are no untied resources available for such policies in Finland even if the projected surpluses will be achieved in public economy and projected increases in employment will be met. For instance, a recently (2002) published committee report on financing social protection in Finland in a long-term (known commonly as SOMERA-report) allows no increase in flat rate benefits (such as national, labour support, flat rate unemployment insurance, minimum allowance of sickness insurance, minimum allowance of parental benefits, child allowance, income support (social assistance) beyond the adjustment of consumer prices in the period of 2003-2020.

Secondly, there are institutional rigidities that seriously limit the political manoeuvres in this field. Among them one may mention institutional

linkages between flat rate unemployment benefits (including labour market support) and earnings-related benefits, which prevent increasing flat rate without simultaneously increasing earnings-related element of that particular benefit. This lock-in seems unsolvable.

Finally, there is an increasing clear division of responsibility in financing social transfers, where the state (and in some cases municipalities) are responsible in funding the flat rate (or non-earnings-related) element of the benefit where the employers and employees share the responsibility in financing the earnings-related parts. Any attempt to shift to benefits structures or related eligibilities will meet some resistance from those financiers whose relative burden is likely to increase.

Vulnerable groups and polarization processes

It is widely recognised that there are some processes, which may in the long run cause some intensification of exclusion among the vulnerable groups and which require some systematic attention and political responses. Among those groups, one may mention *families with children living in poverty*. Before the 1990s, such a phenomenon did not exist in Finland. Universal model of social policy provide sufficient, sometimes generous, protection for families with children.

Second group that required some detailed attention, are the *long term unemployed especially among the young and the aging cohorts*. (Altogether there are some 80 000 long term employed (more than one year) in Finland in 2002. There is a long and dark legacy of the 1990s recessions that still shadows the life of some aging groups, without sufficient qualifications to meet the requirements of the increasingly demanding labour markets. Among the youngsters, the context is slightly different. There is limited, but the increasing number of young persons (over the age of 15) without any formal qualification completed since the comprehensive. (The number of dropouts from comprehensive schools is very limited and this group is well monitored by relevant authorities). In general, there is no shortage on education opportunities for this group. Consequently, the explanation seems to be related to either the valuations of some members of this group or the mismatch in their preferences and available institutions.

Thirdly, *regional differences, and related polarisation processes*, are of increasing practical and political importance. Several studies are confirmed a common perception that regional welfare differences widened in Finland during the 1990s. The latest data available is usually 2000, so no systematic and reliable information on most recent trends are available in major data basis. A closer scrutiny indicates, that with some reservations not relevant here, the new growth model of Finland has proportionally benefited urban and information-intense regions and cities. This regional policy model relies on policies aimed at supporting high growth areas and cities, assuming that the benefits of higher growth would trickle down to surrounding areas.

To a larger extent widening regional differences are mainly to due to rapid, sometimes accelerating growth in some parts of Finland, where is some regions, mainly in Eastern and Northern Finland, the take-off to an information society has been low, late and sometimes clearly unsuccessful. However, the rapid restructuring of agriculture since the 1995 agreement and the cuts in the state's personnel at local and regional level, as well as

some fiscal problems in municipalities since the 1990s recession, have in fact lowered employment rates in some regions. Not surprisingly, migration rates from countryside and smaller towns to rapidly expanding growth areas (including capital area and some other centres of information technology revolution) are been exceptionally high in recent years.

In addition, there are several traditionally vulnerable groups whose welfare requires continuous activities and some reforms. *Persons with physical or mental disabilities* are evidently the most important group among them. Despite of much good will and enormous legislative efforts there are still problems in their employment rates and the *de facto* availability of some services (which are entitled to them as a subjective right). Evidently, the core of the problem is the high unit costs of services per person. *Lone elderly* is another group; while their benefit levels and the availability of social services are generally speaking at a satisfactory level, they nevertheless suffer from loneliness and mental stress, and very often would greatly benefit from social activities of different kinds. Lone elderly is a group on which sufficiently detailed statistics are not available; for instance, no sufficiently reliable information whatsoever is available on the spatial distances between these elderly persons and their children (if any) or other relatives.

Finally, one may mention *immigrants and ethnic minorities*. This group is very heterogeneous; some groups, like Estonians and Russians, are well embedded to Finland. Others, like refugees from Somalia and several other African countries, have had more difficulties in integrating into the Finnish ways of lives. The Vietnamese and Philippines are in-between position. At the time of writing this report, Statistics Finland was preparing a major survey study on the well-being of ethnic minorities. The report will be published in 2003, and its results will be incorporated into the NAPinc process. Another study by the Government Institute for Economic Research will deal fiscal and labour market aspects of immigration. Both of these studies are part of legislatively process aimed at reforming the immigration policies of Finland.

5. Implementing policies against poverty and social exclusion

The implementation of the NAPinc

The Finnish NAPinc process did not include any major new political initiatives. An extremely short time span (less than six months) did not make such new initiatives possible. Such reforms were also technically impossible as the plan was completed in July 2001, whereas the first round of budgetary negotiations for the year 2002 was completed in March 2001. Furthermore, in Finland the budget framework is usually determined some three to four years in advance, and only a very limited adjustment within such a long-term framework is usually allowed in policy negotiations between the Ministry of Finance and other ministries. Finally, taking an account the fact that Finnish political culture considers empty promises (that is promises without secured finance) unacceptable, no such measures were put forward.

The outline of the NAPinc suffered from a serious *innovation bias*, a problem that was regularly mentioned in this context. The institutional structure of

the Finnish welfare state and social policy was constructed incrementally in the 1960s and 1970s; some adjustments were completed in the 1980s and necessary retrenchments were made in the 1990s. The Lipponen's II government indicated a turning point; no further retrenchments were proposed, and some modest improvements were enacted. The policymakers and citizens are largely satisfied with an existing institutional structure; by international standards, it is effective in reducing poverty, providing good quality health care etc.

According to many observers, the outline of the NAPinc did not devote sufficiently strong attention for such an existing, well-established structures, which form the major bulk of all policymaking. Instead, it can legitimately be argued that in some parts of the NAPinc outline agreed in Social Protection Committee a relatively excessive amount of attention has been paid to the new reforms and individual projects. Consequently, it was commonly argued that Finland should not pay so much attention for new initiatives and project of minor scale, but instead to continuously underline and re-introduce the institutional model of social policy, based on some general principles. Indeed, it took some time to sort out an adequate balance between these two objectives (that is, reforms and existing structures). Most crucially, as a compromise, Finland decided not to introduce any good practices based on individual projects or other small scale activities, and instead call the institutional structure itself as a good practice. This seems to have caused some confusion later.

Another point of criticism and debate was the concept of social exclusion, which was understood differently by different actors. (In fact, the same was true in the case of poverty; however, this debate on relative and absolute poverty has been endless, and there is some consensus in favour of relative definition). For many, it was crucial to minimise the number of the excluded persons by defining this concept as narrowly as technically feasible. This approach would leave much "conceptual" space for risk-based social policy. Some favoured a comprehensive definition.

An outcome was a compromise. The concept itself was narrowly defined, focusing only those households in Finland that were simultaneously exposed by several major welfare deficiencies. Defined like this, the concept covered only a 1-2 per cent of the Finns. On the other hand, politically, the social exclusion was considered as a multidimensional phenomenon. Consequently, all those policies that either directly or indirectly dealt with the vulnerable groups in a society were redefined as policies against exclusion. Policies were further divided into several categories, including income, employment, housing, education, health, and "others". This double compromise satisfied working group.

Within an above described framework, the NAPinc systematised and introduced the policy-measures already agreed in different forums, most importantly in the government programme of the Lipponen's second government 1999-2003. The programme did not include any major improvements. However, it nevertheless was an important turning point as it completed the period that began in 1992, characterised by the number of adjustments. All reforms mentioned in the NACinc have been made effective by law or decree. However, it also has turned out that the implementation of some key laws has been partial. Among them, one may mention a law on rehabilitative work activities, aimed for those in the weakest position.

Table 1 summarizes the reforms by sector in relation to social exclusion policies. The classification follows the structure of National action plan. Only the most significant reforms are listed here. Some problems and challenges are also mentioned. Some of them will be dealt with later.

When assessing such a list presented in Table 1, one must carefully take into account the fact that only a very tiny proportion of all transfers and services, which are available, have been listed here. The Finnish social model has evolved since the Second World War and the major bulk of transfers and services have been available since the 1960s (in the case of social services, since the mid 1970s). Therefore, it is highly misleading to pay all attention to rather minor reforms, without taking account an extensive institutional structure that lies behind them. The Finnish welfare state (or welfare society as it is nowadays called) was well developed before the recession of the 1990; despite some adjustments in virtually all policy dimensions that have recently been well documented by an extensive research programme funded by the Academy of Finland and studies published by the MSAH, its institutional structure survived virtually intact through the recession.

TABLE 1. Reforms by “welfare sector” in relation to social exclusion.

“Welfare sector”	Description
Income	Several reforms have been implemented; among others, an eligibility criteria for earnings-related unemployment insurance was shortened from 10 to 8 months and the reconciliation of short term labour contracts and social security have been improved. Minimum allowances have been increased in sickness and parental insurance. The institutional structure aimed at combating indebtedness now almost fully implemented; the latest reform introduced social loans. Poverty rates have been stabilised; social cleavages have remained relatively stable, however, an increasing number of families is in poverty.
Health	Access to services still available; however, large regional and local differences in access; increasingly large difficulties with Not-in-my-backyard movements which resists services for mentally ill, disabled, narcotics and alcoholics in urban areas. Ear-marked grants have been made available for the intense services of mentally ill; still some shortages especially on services for younger age groups suffering temporary mental problems. Drug reimbursement model has been partially revised by introducing a law on generic drugs in order to lower consumer prices.

Education	No major reforms implemented, but some adjustments within the comprehensive schools. Co-operation between comprehensive education and vocational schools have been significantly improved. Some new rights for children with learning disabilities. Already an oversupply of education "places" for the potentially excluded groups in an age group 15+. New forms of rehabilitative services for the young have been made available.
Employment	The whole wave of reforms has been implemented in employment services. Investments in co-ordination between national insurance institution's local agencies, employment agencies, and welfare agencies. However, there is still some quality problems in services and the "hard core" of unemployed; large regional differences. Several reforms aimed at improving the reconciliation work and family life and gender equality have been implemented.
Housing	More and better transfers for the poorest households; new homes for homeless; however, this homeless persons in major towns. The rents and prices of dwellings have soared in recent years; while a very large proportion of families own their houses and declining interest rates have greatly benefited them, a significant proportion of persons have fiscal difficulties.
Others	No major changes in number of alcoholics, very drinkers, drug abusers; some shortage of services. The crucial issues is how to adjust into the free import of alcohol 2004 onwards. New problems: prostitution and organised crime. Some proposals on the prohibition of prostitution; a more active approach, including registers, against organised crime.

Criticism, comments, available data and indicators

The MSAH has asked a large number of comments regarding the content of the NAPinc from academic experts, interests groups (including those of civil society). In those comments, the plan has been criticized from numerous perspectives. Among others, it has been pointed out that plan should have more political content and it should focus more the most excluded groups. More attention should have been devoted for the concept "exclusion", which was left somewhat unclear. In addition, some process-related deficiencies have existed, caused by a tight time span and the pursuit of consensus, among others.

The implementation of the policy reforms mentioned in the NAPinc is to a significant extent assessed. This reflects mainly the new policy approach that is becoming more widely applied in Finland, generally known as evidence based policy-making. More often than earlier also the Parliament requires such the conclusions of research programme to be submitted for them within 2-5 years after the reform. In most parts, implementation studies examine costs, count heads and the quality of the reforms. Within the sector of the MSAH, most of these studies have been conducted by the STAKES (National Research and Development Centre for Social and Health), which is directly supervised by the Ministry. (In total, the MSAH supervised four large research institutions, responsible on occupational health, public health, social and health services, and radiation, respectively). In addition, Social Insurance Institution and Central Pension Security Institution carry major responsibility on social transfers and pensions. Neither of them, however, is under the direct supervision of the MSAH). Regardless of this close link to policy-makers, however, the STAKES is considered neutral, or independent, when it comes to research results.

There are five *data sets* that can be applied to poverty and exclusion research in Finland. First, income distribution data set have been collected annually since 1977. Based mainly on register data, they are of exceptionally good quality. Secondly, since 1966, household budget surveys, including also data on consumption, have been published every fifth year or so (1966, 1971, 1976, 1981, 1985, 1990, 1995, 1998). The latest data set for the years 2001-2002 will be available in 2003. Thirdly, ECHP-data sets are available from 1996 onwards. Its strength lays in panel data, which allow more dynamic investigations, as well as its more multi-dimensional approach to poverty and exclusion. However, researchers have to some extent been dissatisfied with the quality of data (especially compared to register-based data sets). Fourthly, panel data on the recipients of social assistance is available from 1992 onwards; this data set has been linked with the number of other data sets, which include information on labour market participations, other benefits etc. Finally, the Turku centre for welfare research (located at the University of Turku) has developed and maintained data sets, available for the years 1995 and 2000, which make it possible to analyse poverty and exclusion multi-dimensionally, by using several competing and complementary definitions.

Broadly speaking, the availability of poverty and exclusion research in Finland is at a satisfactory level. Several research institutions publish annually studies on the different dimensions of poverty and exclusion, beside income distribution also on housing, health differences, unemployment, and, to a lesser extent, housing. The Ministry of Social Affairs and Health (MSAH) has encouraged research in this area by commissioning annually several studies (recently based to an increasingly extent to ECHP-data) and emphasising a need to carefully monitor different trends in this phenomenon. More recently, more emphasis has been paid for migration and ethnic minorities.

In short, a satisfactory information base supports the politics against poverty and exclusion. However, there are some deficiencies. First, the introduction of ECHP (and forthcoming SILC) has forced Statistics Finland to discontinue its classic survey on living conditions in Finland, published in 1997, 1986 and 1994. This data set provided superb information on the multidimensional well being of households in Finland. Many researchers (and some policy-makers) sadly regret the discontinuation of this in many ways superior data set. Secondly, the costs of register based raw data are reasonable high in Finland due to the payment policy of Statistics Finland, which limits an accessibility of the data for wealthy, often state-owned organisations. Third, no satisfactory long-term panel data sets are (yet) available in Finland on welfare and poverty dynamics. The ECHP and the SILC partly fills this gap.

The role of indicators in social policy making and poverty politics has remained unclear for many Finns. The NAPinc consisted of an indicator set covering all dimensions of the exclusion. There was a significant overlap in-between the proposal of indicator working group, indicators published in the Joint Report, the Atkinson report, and national indicators. Times series were available from 1991 onwards until 1999. Data-series themselves were reliable, indicators carefully selected by leading experts in their fields, and all the dimensions of poverty and social exclusion sufficiently covered.

However, all these were macro-level indicators. As several observers pointed out, such social indicators are of limited value as long as there is not any information on the accumulation of welfare deficits at household levels. No such data set is recently available. Furthermore, policy-makers did not find any practical use for these indicators in debates that followed the NAPinc. The oversupply of information available from indicators made it difficult to assess general trends, and indicators also reveal contradictory tendencies. In fact, the EANPfin regularly emphasised that more qualitative information, based on the people's own experiences ("own voice"), is needed to supplement hard, quantitative data. (This argument has not been fully accepted by all actors involved, some of which consider, quite properly, qualitative data distorted, biased and non-representative).

Finally, the OMC has generated surprisingly lot new research activities in Finland. In fact, it is becoming a cottage industry. Several studies have already published, where the social scientists, economists and senior civil servants evaluate these processes at national and European level. The network of researchers has been established. Every major research institution in the field of social and health welfare has allocated resources for related research projects. (The interests has mainly focused on pensions). If earlier research on social policy dealt mainly with co-ordination regulation and some other pragmatic issues, now the territory of research has vastly expanded. In the nearest future, it is likely that Finnish scholars will be actively involved in international research projects in these fields. The sixth research framework programme and Social Exclusion Programme (SEP) will further encourage these activities.

6. Towards the second round of NAP

Workings groups put in place

Due the March 2003 general Parliamentary elections, a significant number of working groups of various importance and status have been operating during the first months of 2003, aimed at providing some input for the forthcoming government programme. To some extent, this may be a Finnish specialty. In Finland, the civil servants draft a large number of policy proposals for the negotiations to be conducted in early April 2003. Usually, drafts include several alternative options or scenarios, as well as estimates on fiscal costs and organisational consequences. These proposals are intended to maintain some continuity in policy-making. The practice also reflects the broad consensus over major political issues, cemented by strong administration, corporatist practices and multi-party-governments, which all have representatives in these committees and working groups.

Most of these proposals will only be made public in March 2003, or in certain sensitive cases (none of them in social policy, but mainly in defence, taxation and mobility issues), after the elections. Therefore, even if there were an access to these documents (which is not the case), they could not be cited or referred here. However, the existence of working group belong to public domain. Beside the NAPinc-working group, following currently operating groups are clearly of importance as regards to poverty and exclusion.

- At the Ministry of Finance, there is a high level working group, which is responsible in proposals on employment and economic growth. Several other working groups deal with income taxation, capital taxation competitiveness etc.
- At the Ministry of Labour, there is a working group (or project, as they are called) dealing with structural unemployment. This working group justifies its effort from the conclusions of Lisbon European council. Another working group deals with an immigration policies.
- The Ministry of Education has several working groups on student allowances, low qualifications and education levels, which are directly relevant for the policies against poverty and exclusion.
- The Ministry of Environment, which is responsible on housing policy, including the so-called ARAVA-funding system, has just completed an extensive evaluation project, and will draw its conclusions before the elections. Most interestingly, the Ministry of Environment will put some additional emphasis on policies aimed at combating homelessness in Finland.

In addition, there are a large number of working groups dealing with fiscal, social and health affairs at a more institutional level. In addition, the MSAH has recently published several policy proposals and committee report to be taken account when drafting next programme. In health care, the council of the state initiated a major project aimed at ensuring the future of health care, in 2002. The project ended to a decision in principle by the council of the state on securing the future of health, which was accepted in 2002. The aim of the decision is to ensure the availability of care, among others, regardless of the residents' ability to pay or the place of residence. While not directly related to exclusion policies, this decision in principle will, if fully implemented, guarantee an access to health services for them, too. Similar project was initiated in social services in 2002. Its results will be available in February 2002. Furthermore, the MSAH has published strategic documents on its family policies, alcohol, drug and HIV policies. (No such detailed documents exist on transfers in general; this would perhaps be considered less fruitful as labour market organisations have a say over a significant proportion of policymaking.)

Finally, it should be pointed out that the key issues in the field of social and health deal with the upgrading of some existing institutions, rather with poverty and exclusion. First, the social and health grant system clearly require some major revision. (In fact, previous attempt – the so called Pekkanen-proposal – to revise this system failed). Secondly, further reforms are likely needed to labour costs and social security contributions in services, in order to encourage employment in this sector. (Several models have already been proposed, all of which transfer some costs from employers to the state and to larger employers in industries). Finally, it is likely that the insurance principle will be extended in the financing of social transfers so that the responsibility of employers and employees on non-earnings-related benefits (mainly national pensions) will further decrease.

All these reforms indicate a major increase in the state's expenditure, which is likely to contradict with the key objective to maintain a significant surplus in the state's budget over the period of 2003-2007. As the state is de facto fiscally responsible – due the Finnish model of financing social protection –

in both the upgrading of social and health services *and* the upgrading of minimum allowances and services, which proportionally benefit the weak and the vulnerable groups, political parties in forthcoming and ministries must clearly prioritise some issues over the others. The next section provides some information on likely priorities.

Parties and interest groups on poverty and exclusion in their electoral programmes

Of *major political parties* Social Democratic Party, the Coalition (conservative) party (now in government with social democrats and left-wing socialists), Central Party (Finnish Centre, now in opposition), and Left wing alliance published their election programmes for the March 2003 elections in February. In what follows, election programmes are reviewed in order to map the positions of key actors involved. In addition, in order to provide some supplementary information the programmes of the major labour market organisations will be introduced.

Social Democratic Party speaks highly in favour of families with children in their electoral programme. Their programme covers child welfare services, day care services and support for the unemployed, whereas the party seems quite reluctant to cut income taxes.

Coalition party promises, among others, some increase in child benefits, and investments in education and health care. In addition, there are some improvements in law and order. Only two proposals are directly relevant for social exclusion and poverty. They deal with some additional support for children with learning difficulties, and additional child allowances for single mothers. Fiscally, neither of them is of major significance. The major emphasis is in tax cuts.

The election of programme of Central party is far more generous, reflecting their position in opposition. Among others, they are not willing to tolerate unemployment in age groups under 25, will invest heavily on family and regional policies, and grants to municipalities (especially those in economic difficulties), law and order, and they would lower taxation. According to their strategy, an investment in education is the best way combat with the exclusion. In sum, their programme would strongly strengthen the welfare state. However, the programme is virtually silent on how all these reforms will be financed.

Left wing alliance (a former socialist/communist party) calls for the major improvements in all minimum benefits/allowances. The list is an exhaustive one. A major reform is proposed to student allowances. Furthermore, the Left wing alliance proposed major revisions in the structures of tax policies, especially in capital taxation. It is an only party that has some opinion on global justice and similar issues. This party is the only one with comprehensive policies against policy and social exclusion.

In sum, on the basis of evidence available at the time of writing this report (the end of February and early March 2003), it is quite clear that poverty and social exclusion will not be the key themes of electoral policies among the three largest parties – the Coalition Party, The Central Party and the Finland's Social-democratic party. All parties recognise some social problems, which are relevant for exclusion policies, they nevertheless focus

mainly – sometimes exclusively – on issues that are of importance for the median voter. In a political system, where the position of the largest party is crucial and where all governments are majority coalition governments, and where there is significant overlap between the supporters of political parties, one cannot expect that issues focusing on small minorities will have a high priority on political agenda.

In addition the median voter effect is further strengthened by the continuously declining turn-over rate among lower socio-economic groups, the unemployed and the students, while the better off socio-economic groups and the elderly have roughly maintained their earlier turn-over rates. In many dimensions (such as income, education, family status etc.), the socio-economic factors seem to become more central in explaining differences in turnover rates. In short, the excluded, or the groups that are exposed to the risk of exclusion, do not have a key role in forthcoming elections.

Finally, none of the major parties will seriously challenge the existing institutional structure of the welfare state (society). They simply cannot afford this as recent opinion polls show exceptionally high rates of support for the welfare state. In fact, the polls show all time high figures. (Opinion polls have been conducted since the mid 1970s). It clearly is in the interests for the median voter to have relatively generous social policy, based on universal transfers (social insurance) and services. From the point of view of exclusion policies, however, it is slightly worrying that there is some polarisation of opinion regarding the means tested benefits. Attitudes of the better off are becoming harsher in relation to these benefits that they are de facto are not and will not be entitled of due to strict eligibility criteria.

Labour market organisations have also intervened by publishing their proposals for on government's agenda. The SAK (the central organisation of Finnish trade unions) pays much attention to the policies aimed at increasing employment rate. Simultaneously, the SAK strongly supports existing welfare policies. Vocational education for the entire population must be set as a minimum goal. Resources must be allocated to areas where there is a significant risk of unemployment and to training in the sectors where shortage of competent workforce is evident. Adult education allowance and conditions for training allowance for the unemployed must be improved. Also competence-based qualification must be developed further as an option for those who wish to be trained at work. The demand for workforce can, in the future too, be satisfied domestically. Regarding exclusion, there is only a few initiatives, including a idea of guarantee: young people must be given a so-called social guarantee in order to always offer them education, work practice or a job as a first choice instead of mere passive social income transfers. More broadly, they would rather invest in services than transfers in policies combating exclusion.

TT - The Confederation of Finnish Industry and Employers emphasise policies that promote competitiveness. From their perspective, the government should invest in education and other policies that are directly relevant for this objective. Furthermore, in social policy, they – together with employer organisation for service providers (this is an unofficial translation) – emphasise a need to develop better incentives for unemployed and other groups suffering from incentive traps, and the abolishment of the so called structural constraints. In their programmatic

statements, there is no information on policies against exclusion; an only issue mentioned is minimum security for non-active population which should be adjusted to meet changing costs of living.

Any of the parties pay much attention for the European Union, or its role in social protection and the policies against poverty and exclusion in their programme proposals. Few issues of some importance in relation to union policies are immigration, competition policies and some issues of competencies. The same applies to labour market organisations.

7. Concluding thoughts and ideas related to the forthcoming politics of poverty and social exclusion

In short, the key electoral issue (in the Parliamentary elections in March 2003) of social policy is how to upgrade the institutional model and to satisfy the demands of the median voter and mainstream population, demanding better health care, child care and services for aging, and better earnings-related benefits. In this framework, the politics of poverty and exclusion focusing on specialised services for mentally ill, disabled, unemployed, alcoholics, and drug users, and some increases in minimum transfers, is only a secondary item, to be dealt only as a by-product and a side-theme. However, this does not indicate that poverty and exclusion will not be the matters of importance when drafting next government's programme. The MSAH and NAPinc will keep an issue at agenda.

SOMERA-working group (2002) ended up with a following conclusion, which pretty summarises the national position, as is therefore worth of quote in a full length; this is all the report includes on social exclusion: *"The Nordic welfare model reinforces social cohesion. The aim of a welfare society is to protect and uphold the fundamental rights of its people and reduce inequalities. The idea is to improve equality and well being so that everyone can live a dignified and secure life and improve their own skills and talents at the different stages of their life. Equality must be promoted so that people receive equal treatment regardless of their gender, age, domicile, disability or ethnic background. Support for equal opportunities allied to social welfare and health care services and income security for all prevents poverty and exclusion. Exclusion may be due to unemployment, lack of education, illness or housing conditions, and combating it requires active measures in all these areas. Social policy also includes the provision of care for those who cannot fend for themselves or demand their own rights. Social protection should be universal, covering both those who are managing well and those who are struggling to make ends meet. This also tends to improve general acceptance of social protection and its financing options. The aim is to keep income differences small and combat poverty."*

The political importance of the topic was clearly seen in January 28, 2003, when the preparatory process for the next NAP against poverty and social exclusion was launched in a high-level meeting, where speakers included the Minister of social and health affairs, Mrs. Maija Perho, the Head of social and health committee of the Parliament, Mrs. Marjatta Vehkaoja and permanent state secretary of the MSAH, Mr. Markku Lehto. All relevant actors were invited, including labour market organisations, civil society (including EAPN, and large number of third sector organisations), various ministries (including the Ministry of Finance). No further information is yet

available. The MSAH itself has invested quite heavily for this NAP, including some top experts and policy advisers. The Ministry consider NAPinc as opportunity to get more involved with writing of government programme after the March 2003 elections. The objective, also included in the work-memorandum of the NAPinc working group, is to provide input for these negotiations. This is considered quite central, as before the March 1999 elections, the MSAH has only a limited role in defining policy objectives in this field, as there was an external working group (known by the nickname "Hunger Group"), which organised by some top actors in a Finnish society, dealing with these issues. While the Ministry was fully informed the activities of this group, it nevertheless shifted some initiative power outside the Ministry.

The working group against poverty and social exclusion – a more precisely, a sub-group responsible in drafting political guidelines - will collect, analyse and prioritise initiatives available and make some of their own. The objective is to reach broad consensus over the main issues. Earlier experience clearly indicates that consensus is crucial for successful implementation of policies. Wide consensus is, however, unlikely, with two exceptions. First, the proposals dealing with the better implementation of already agreed and effective laws and reforms are likely to be widely accepted. Secondly, services will be prioritised above the transfers. Within above mentioned these limits, the following list of reforms is likely to expected regardless of the composition of government:

- further efforts aimed at improving the interplay between transfers and services and the use of available resources (especially in labour exchange and welfare agencies).
- major reform in immigration policy, aimed at encouraging immigration among productive and well-educated groups; some reforms in integration policies and asylum policies.
- reforms aimed at redesign institutions so that the proportion of population fully and long-term depended on social assistance will decrease;
- some minor changes in unemployment insurance, aimed at encouraging employment among the young and the elderly population,
- investments in education and rehabilitation of the aging population
- some minor changes in minimum and flat rate benefits, including child benefits.
- some investments in services for mentally ill and handicapped.
- new initiatives in alcohol polices aimed at compensation the social costs of free import of alcohol (from 2004 onwards).

It makes no sense to further speculate, at this point of time, whether the working group will proceed successfully to meet its objectives. Needless to say, there are conflicting interests. Some even say that emphasis on poverty is wrong by principle. Instead of focusing on poverty and social exclusion directly, such problems should be solved by redesigning the institutions so that institutions available would better protect people exposed by social risks. On the other hand, there is clearly diverging

interests as regards to priority in-between the reform proposals, aimed at directly combating poverty and social exclusion.. Most likely housing allowances and unemployment benefits will have a top priority. However, the major bulk of resources available is poured to health care and social services in order to strengthen the institutional model of Finnish social policy.

In all cases, in the next NAPinc the outline is likely to be followed more closely than in 1st NAPinc, when some degrees of freedom were deliberately taken. Regarding to the revisions of the NAP outline – such as a closer linkage with budgets, EU-structural funds, gender mainstreaming, and target indicators – some mainly technical, but also political problems are likely to be expected. First, while there will be no proposals without budgetary information, it nevertheless will be problematic to find sufficiently strong and binding political commitments over this issue. The linkage with structural funds is still weak - partly due to the ministerial division of labour between the MSAH and the Ministry of Labour, which (together with the Ministry of the Interior) is responsible on structural funds. Evidently some co-operative work can be done here. Gender mainstreaming causes no problems (due to the universal structure of the system); neither it will provide any major added value.

Politically target indicators will most likely cause some confusion. With the exception of employment, no such indicators are conventionally applied. Some technical work will nevertheless be conducted around the question, which quantifiable targets could be technically feasible; only if such target indicators will be integrated into the government programme after the elections, they will be politically binding. Otherwise, target indicators, in any, will be used for illustrative purposes only.

To conclude, sufficient it is to say that Finland has some reservations with the OMC and NAPinc, which are to some extent legitimate from the point of view of constitutional structure (the position of the OMC constitutionally unclear), political tradition (there is no tradition of poverty programmes), and institutional structure (universal and institutional social policy). However, within these constraints, it is a general impression that Finland is learning rapidly. They are actively seeking added value both at national and European level, and there is a strong (although not by means full) support for this method at the Ministries and civil society. Labour market organisations seem to have more sceptical, which may reflect their earlier experiences with employment NAPs and their vested interests. Their position, however, does not indicate that they would rather withdraw than continue to co-operate with other actors involved in questions and policies dealing with poverty and social exclusion in Finland.