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Assessment of the implementation of  
the European Commission  
Recommendation on **active  
inclusion**

*A Study of National Policies*

**Finland**

*Social Europe*

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Assessment of the implementation of the  
European Commission Recommendation on  
**active inclusion**

**A Study of National Policies**

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**COUNTRY REPORT – FINLAND**



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## Summary

Finnish government has in March 2012 published its action plan for social inclusion. This programme strategy provides an instrument for the coordination and integration of various policy initiatives in the different policy sectors and seeks to provide support in achieving better cross-sector coordination. The key these addressed are well in line with the EU level Recommendations. Topics include the following: Strengthening equality between different population groups; Promoting health by reducing health inequalities; Prevention of exclusion and labor market disadvantage; Improving the position of low-income groups; Reducing exclusion of children and the young; Reforming the social and health services; Improving the effectiveness of NGOs' work and Legislative projects. Both research and policy have identified the exclusion of the young as the main policy challenge to be addressed.

The multiple measures will require considerable monitoring and evaluation efforts in order for the lessons to be used effectively. (Major legislative reforms on-going perhaps even more than most.) Most of the recommendations made in this report thus relate to these issues. On the level of the overall approach three main recommendations include:

1. Better monitoring methodologies and knowledge-sharing, including impact assessments and benchmarking.
2. Decrease in unnecessary overlap of piloting and testing (improved by improved dialogue and monitoring, e.g. in ESF projects), in particular in light of the up-and-coming decrease in Structural Funds resources, resources need to be more effectively used.
3. Improving the voice of the service users in the processes, including also more effective use of methodologies and instruments for qualitative and experience-based indicators.

Many of the issues to be improved relate to the general point about coordination, i.e. the persistent sector-dominance and the difficulty to ensure effective horizontal coordination. Better use should be made of the independent external experts and the deep and wide expertise of the research organisations such as National Institute of Health and Welfare.

Within the thematic issues, the following recommendations for priority actions can be made:

### **Adequate income support:**

- The legislative reforms are seeking to address the main weaknesses. The much debated basic income "citizens pay" could be seriously assessed as an option.

### **Inclusive labour markets:**

- Tax rebates have been proposed to support R&D investments in SMEs. Similar rebates could be proposed for employing those with social exclusion problems. Micro loans for setting up social enterprises could also be expanded.

### **Access to quality services:**

- Using public procurement as an innovation support and creating cooperatives and other forms of consortia of micro companies could both support access to services and entrepreneurship.

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A more systematic assessment of benchmarking cases and peer reviews in Finland and in Europe should be used in all three areas. Mentoring and exchanges between organisations in different policy sectors could also be used as a means of improving horizontal dialogue, exchange of best practice and understanding.

## 1. Integrated comprehensive strategies

The current governmental programme has set the fight against social exclusion as the number one priority, **even before fiscal consolidation**. The themes and priorities set are familiar from previous government, as the programme states that employment is the best preventive measure against social exclusion. The approach to social inclusion and threat of exclusion is very much based on inclusive labour markets. To cite the governmental programme...:

*Labour market, taxation and social protection must be developed from the perspective of inclusion and employment.*

*Finland's future success and wellbeing rely on a high employment rate, social coherence and equality in society. The cycle of poverty and social exclusion being passed down from one generation to the next must be broken. Everyone deserves a fair start and genuine, equal opportunities in life. Alongside social responsibility runs communal responsibility. Support is provided so that people are able to take responsibility for themselves, their families and their communities. The valuable work done by third sector organisations complements the provision of social services and enhances wellbeing.*

*The Government will narrow the disparities in income levels, wellbeing and the state of health. Basic public services will be strengthened and reformed; a decent life will be secured for citizens in old age; investments will be made in the prevention of social and health-related problems, and in mental health care services and welfare services for substance abusers; income security will be improved; and inequalities between communities will be reduced. The high school drop-out rate will be addressed. The Government will introduce legislation on services for older people, as well as a wide-ranging action plan to reduce poverty, inequality and social exclusion. (Source: Governmental programme of Katainen government of 16<sup>th</sup> June 2011, p. 9)*

As the main policy instruments are horizontal and based on measures and actions across policy sectors, the approach can be said to be integrated in nature. Closer description and analysis is provided in the sub-sections below.

### 1.1 Comprehensive policy design

The three topics of adequate income support, inclusive labour markets and access to quality services are each considered and part of the policy portfolio, but as is typical to the Finnish approach in recent years, the inclusion to labour markets is seen as the primary goal.

In line with the current governmental programme, an action programme for reducing social exclusion was drafted and published in early 2012.<sup>1</sup> The aim of the programme is to address marginalization, poverty and health problems and by so doing decreasing social exclusion at its various forms and manifestations.

Thematic issues addressed in the programme include:

1. Strengthening equality between different population groups.
2. Promoting health by reducing health inequalities
3. Prevention of work and labor market disadvantage
4. Improving the position of low-income groups
5. Reducing exclusion of children and the young.

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<sup>1</sup> [http://www.stm.fi/vireilla/kehittamisohjelmat\\_ja\\_hankeet/syrjaytymisen\\_ehkaisy](http://www.stm.fi/vireilla/kehittamisohjelmat_ja_hankeet/syrjaytymisen_ehkaisy).

6. Reforming the social and health services
7. Improving the effectiveness of NGOs' work
8. Legislative projects

Each of the thematic topics is described briefly below, with some of the main policy instruments and legislative projects listed. Here the main focus is on the themes and measures of relevance to the active inclusion (as outlined in the recommendation). As is visible from the themes outlined above, there is a clear link between the EU level Recommendation and the national action plan.

### 1.1.1 Non-Discrimination and equality

Everyone in Finland has the right to basic income security, and adequate social welfare and health services. These rights and the principle of equality is enshrined in the Constitution of Finland. This entails access to services that promote and enable health, social well-being and inclusion. Different age groups, ethnic groups and other population groups need to be equal in face of these basic rights. The balance between Individual and societal rights and obligations are essential in promoting social sustainability.

Measures:

- Updating the equality legislation, taking into account the changes in European legislation, responsibility of Ministry of Justice, Ministry of Social Affairs, 2011.
- Drafting the first National Action Programme for Basic and Human Rights (Ministry of Justice, drafted in 2011 for 2012-2013, with a variety of actions implemented in horizontal fashion across policy sectors<sup>2</sup>)
- As part of the reform of the social welfare legislation, disability law reform, responsibility of Ministry of Social Affairs.<sup>3</sup>
- A long-term strategy for the language of two vibrant national languages, Responsibility of Prime Minister's Office and Ministry of Justice.
- Housing Strategy, responsible: Ministry of Environment, Ministry of Social Affairs, Ministry of Finance, local authorities
- Housing development programme for the elderly, responsibility of Ministry of Environment, Ministry of Social Affairs, Ministry of the Interior, Ministry of Employment and the Economy.
- As part of The National Development Plan for Social Welfare and Health Care (Kaste Programme 2012–2015), a long-term action plan is to be developed with cities in order to further reduce homelessness, 2012-2015, responsibility of Ministry of the Environment and Ministry of Social Affairs. This is following up on the programme for reducing homelessness, introduced in 2008.
- A partnership programme is launched for the Helsinki Metropolitan area in order to improve social cohesion in close collaboration between the state, cities and responsible ministries (Ministry of Social Affairs and Health, Ministry of the

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<sup>2</sup> Ministry of Justice (2011): *Kansallinen perus- ja ihmisoikeustoimintaohjelma*, link: <http://www.om.fi/en/Etusivu/Julkaisut/Selvityksiajaohjeita/Selvitystenjaohjeidenarkisto/Selvityksiajaohjeita2012/1330603572990>.

<sup>3</sup> *The process of reforming the Finnish social security and protection has been a process on-going during the previous governments as well, with the broad-based process of "SATA Committee" having reported its proposals in 2008. Final report "Towards a social protection reform: creating opportunities. Social protection reform - SATA. Helsinki: Ministry of Social Affairs and health, 2008, e-report available at: [http://www.stm.fi/en/publications/publication/-/\\_julkaisu/1057207](http://www.stm.fi/en/publications/publication/-/_julkaisu/1057207).*

Environment, Ministry of Employment and the Economy, Ministry of Education and culture, Ministry of the Interior).

- A horizontal policy programme for improving vitality of urban environments and to decrease the risk of segregation, (Ministry of Social Affairs and Health, Ministry of the Environment, Ministry of Employment and the Economy, Ministry of Education and culture, Ministry of the Interior, Ministry of Finance).

### 1.1.2 Health promotion

The health and wellbeing of the Finnish population has improved over the past decades. At the same time, however, inequalities in health and wellbeing have widened.<sup>4</sup> There has been concern expressed on the increasing disparities in health. These differences have been perceived in regional / geographical terms, as well as between population groups.<sup>5</sup> One of the main goals of national health policy, as evident for instance in the KASTE programme (already in the 2008-2011 programming period) has been to reduce health inequalities across the population, both in terms of the functional ability, perceived or experienced health and mortality. A key component in seeking to reduce health inequalities has been support to healthy lifestyles and preventive measures. This theme is also included in the national action plan for reducing social exclusion.

Reducing health inequalities requires addressing the underlying causes and processes. It also requires that the improvement of social and health equality of access and use. Health promotion is especially important to support older people's functional capacity.

Examples of measures:

- The National Development Plan for Social Welfare and Health Care (Kaste Programme 2012–2015);
- Mental Health Law Reform, as well as the overall reform of the Alcohol Act.

### 1.1.3 Working life and the labor market measures in the area of social exclusion prevention

Integration into the labor market and work is seen as the primary and most sustainable way to combat poverty, inequality and exclusion. Needless to say this is a particular area of concern when the economic situation and austerity imply increasing unemployment for the population as a whole and the young as a particularly vulnerable group.

The goal of preventing prolonged unemployment is an important policy goal. Rehabilitation and activation measures play a part, as do measures that seek to improve the attractiveness of working life. Particular measures are targeted at persons whose work and functional capacity is temporarily or permanently reduced. For the partially disabled the path should be rehabilitation.

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<sup>4</sup> Rotko et al. (2011), p. 8. The report is critical of the multiplicity of uncoordinated efforts to address disparities in health: "The review shows that many programmes, projects and working groups address health inequalities. However, inequalities persist despite efforts to reduce them. At the same time, some political decisions may have widened the health gap even further. This implies that social policy over the past twenty years has contributed to growing inequality, which is difficult to reduce with separate action plans. Coordinated intersectoral co-operation both nationally and locally is needed. In Bill drafting, all administrative branches should put special emphasis on health impact assessment in different population groups. Research should shift focus from descriptive studies to policy evaluation. The health equity dimension should be integrated into all policy areas. Responsibility for actions and follow-up is the main concern" (Ibid, pp. 8-9.)

<sup>5</sup> Ibid.

Job opportunities are developed also to promote a better integration of family life and work, for example, by adding more flexibility for parents with young children in part-time work opportunities.

The aim is to gradually raise the employment rate of 72 percent and to reduce unemployment to five per cent by 2015. These are bold objectives when the economic downturn is leading to further reductions in workplaces and companies laying off people. The particular mission of the current government is to reduce youth unemployment and long-term unemployment. By 2025, the expected retirement age will rise from 60.4 to 62.4 years.

The main measures and activities here are included in the government programme policy package III: Sustainable economic growth, employment and competitiveness, coordinated by the Ministry of Employment and the Economy (MEE). The key measures include the local-level trial to reduce long-term unemployment, youth guarantee, improvements of employment of partially disabled and other measures seeking to support rehabilitation of groups facing the risk of long-term unemployment. The main instrument (already described in the previous report of the social inclusion network from May 2012) is the Social Guarantee for Young People.<sup>6</sup> There have been projects financed by the European Social Fund that have addressed the integration issues and have developed new instruments to ensure better inclusion of the young and immigrant groups into the labour market (e.g. YES-project). National efforts have included incentives for working places to employ young people (e.g. "SANSSI" Card = Chance Card, evaluated in 2012).<sup>7</sup>

The Ministry of Employment and the Economy has also launched a Workplace Development Strategy seeking to support better inclusion and integration into the labour market.

#### 1.1.4 Improving the status of low-income

The goal is to reduce the economic and social inequality. Its mission is to facilitate the receipt of the work, and reduce long-term income support and inducing ylisukupolvista poverty. Income should be encouraged to improve their own position and to work.

All work must not be an adequate income, for example advanced age, illness, unemployment, disability, learning, rehabilitation, or for children to receive treatment. Income security benefits provided for them an adequate standard of living that promotes cohesion and safeguard the integrity of society.

Examples of measures:

- Basic security will allow an adequate level of income and standard of living for all. People on low incomes to improve the position shall be increased by the following payments:
  - Unemployment and the labor market. Responsibility: Ministry of Social Affairs. (Carried out the beginning of 2012)
  - Housing Benefit. Responsibility: Ministry of Social Affairs. (Carried out the beginning of 2012)
  - Financial aid for students. Responsibility: Ministry of education (to be reformed for the Budget Proposal of 2014)

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<sup>6</sup> MEE (2012): "Social guarantee for young people", Interim Report 03.15.12; available at:

<sup>7</sup> Pitkänen et al. (2012), [http://www.tem.fi/files/33388/TEMjul\\_25\\_2012\\_web.pdf](http://www.tem.fi/files/33388/TEMjul_25_2012_web.pdf). The evaluation found that there was no indication that the initiative had improved the employment situation of young people, though the card had other positive effects, such as activating the young people and raising awareness and public debate on youth unemployment. (ibid, p. 92).

- Income Support. Responsible: Ministry of Social Affairs. (Carried out in 2012)
- Harmonisation of the economic and debt counseling services. Responsible: Ministry of Economy, Ministry of Justice, Ministry of Social Affairs.
- Development of social lending to unexpected economic problems of the treatment. Economy, Ministry of Justice, Ministry of Social Affairs.

### 1.1.5 Children and young people's deprivation

One of the policy goals addressed also through this action plan is ensuring that young people get necessary support needed to facilitate the smooth transition to education and employment. Basic education opportunities are also preventive measures and reduce health inequalities. In addition, promoting the secondary (vocational) education and training of young people is addressed. Strengthening types of outreach work and workshop co-operation with secondary education among the young are also seen as essential goals, as is the reversal of the intergenerational transmission of poverty and marginalization.

In a sense it can be seen as surprising that this topic, so central to the policy debate in recent times is introduced so late (only 5<sup>th</sup>) among the thematic issues raised in the programme. This topic is however also central to other policy measures, such as the KASTE programme.

Examples of measures:

- Inclusion and participation of the young: developing a hearing and initiative system to enhance e-inclusion of the young population. Responsibility: Ministry of education, Ministry of Social Affairs and health and Ministry of Justice.<sup>8</sup>
- Development of cross-sector cooperation and integrated activities through the programme for children and youth, Coordination responsibility: Ministry of education.<sup>9</sup>

The European Council policy review significantly concluded that while the legislative and representative framework for the young people to be presented in decision-making is formally rather well ensured, there needs to be a major change in attitudes to ensure the inclusion of children's voices. In order for the young to be better included in decision-making, they need to be included at an earlier stage of the decision-making process. This is in stark contrast with the non-transparent and secretive policy preparation process, where "bureaucrats make decisions in cabinets, assisted by consultants" (ibid, p. 94). Transparency of decision-making is important for the policy process and also for the principle of inclusion.

### 1.1.6 Strengthening and reforming the social and health services

The provision of adequate access to services is provided by the Constitution fundamental right for everyone. The task of government is to ensure that services are focused to their actual need and not ability to pay, for example, the customer, or where you live.

The service must be guaranteed fair treatment of illness and prevent disease or at least mitigate social and economic consequences. Prevention is the key in seeking to reduce the gaps in access to the public services. The challenge is to anchor the

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<sup>8</sup> Ministry of education (2011).

<sup>9</sup> Policy programme introduced in Finnish at:  
<http://www.minedu.fi/export/sites/default/OPM/Julkaisut/2012/liitteet/OKM06.pdf?lang=fi>

preventive methodologies in services as part of the basic structures and functions, including information systems and management.

Strong and qualitatively high standard basic services capable of early detection and effective prevention support inclusion and independent living of the elderly and other vulnerable groups. Minority groups should be ensured targeted services.

Examples of measures:

- Reform of the overall structure of social and health care organization, financing, development and control system, in connection with the reform of the municipal and service structures. Responsible: Ministry of Social Affairs.
- Local government reform Responsible for coordination: Ministry of Finance.
- Reform of social welfare legislation, Responsible: Ministry of Social Affairs and health.
- National Development Programme for Social Welfare and Health Care (Kaste), Coordination responsibility: Ministry of Social Affairs and health.

These reforms are part and parcel of the broader reform of the public services and its structure in Finland, where the demographic change is putting pressure on the welfare services. The Ministry of Social Affairs and Health set up a working group to prepare a reform of social welfare legislation in April 2008, with the mandate to assess the need to revise the overall structure, scope of application and content of social welfare legislation and to draft based on their assessment and in the form of a progress report, proposals for guidelines on reforming the current social welfare legislation.

This group reported in June 2010. The main proposals at that point related to inclusion and participation, as well as the autonomy of the individual, as the report argued that...

*The revised legislation must support and promote people's inclusion, own initiative and opportunities to influence matters in society. The goal should be taking into account the social point of view in societal decision-making and actions as well as reinforcing the role of social welfare as a positive force for change in society. The social welfare in the 21st century should strongly focus on the relation between individuals and their living environments.*

*The objective should be to promote the welfare and social security of individuals and communities by contributing to the favourable development of living conditions and by supporting individuals to cope with everyday life. Social welfare must provide well-timed quality services and supportive measures, reduce inequalities in welfare, prevent social exclusion and poverty, and ensure everyone an opportunity for a life in dignity at all ages.<sup>10</sup>*

In 2012 there have been hearings organized in different parts of the country on the legislative proposals. Many of the issues at hand are also dependent on the local structure and municipal reform, as the responsibility of services in most cases lies with the local level. These issues thus are highly interdependent and the interfaces need to be solved in order for the legislation to be developed.

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<sup>10</sup> Ministry of Social Affairs and health 2010

### **1.1.7 Making full use and improving the effectiveness of the work of the civil society and non-governmental organizations**

NGOs are important partners of the public sector, not least in promoting the health and well-being and preventing problems and developing new business models. Non-governmental organizations also provide services, information and assistance, which is a public service system does not offer. It is thus clear that civil society and NGOs have an important role in promoting social inclusion.

The particular aim of this action plan is to improve the effectiveness of the work of NGOs. The program will pay attention to, inter alia, public service corporations tax, as well as the legislative framework of public procurement (currently reformed with the introduction of new Directive). Funding sources of NGOs, in particular the Slot Machine Association (RAY) grants for social welfare and health organizations are to be assessed as part of the process.

### **1.2 Integrated implementation**

The integrated approach is in most cases ensured in the legislative preparation process and here the broad-based participation of all interested parties is routinely ensured. There is still a strong sector focus and interfaces between the various sectors are not always very well developed and coordinated. In some issues the tradition may be longer (e.g. housing and homelessness, where the ministry of the environment has main coordination responsibility, but works in close cooperation with Ministry of social affairs and health), while in others this is less the case (e.g. employment or innovation issues are firmly coordinated by the ministry of employment and the economy and perhaps sometimes the interfaces are not very well developed yet). All issues that have to do with the younger generation, children and the youth are today hot burning topics, where coordination and concerted efforts are essential. Here the challenge often lies with the number of involved parties and the multiple working cultures involved.

### **1.3 Vertical policy coordination**

Vertical policy coordination is traditionally much better organised than the horizontal one, if only for the reason that the roles and distribution of powers are legislated upon and quite clear cut for the most part. The dialogue between the central government and the municipalities has been structured around the municipal reform, with hearings across the country, organised in a top-down fashion by Ministry of Finance, coordinating the reform. In the social inclusion area Ministry of Social Affairs and Ministry of Employment and the Economy are in the key roles, though also Ministry of Education has an important role.

### **1.4 Active participation of relevant actors**

Strategy development in the Finnish governance system is first and foremost a vertical coordination effort, though once the drafts are available there is a wide and broad hearing process. In the discussions around working life issues NGOs and third sector also play a role.

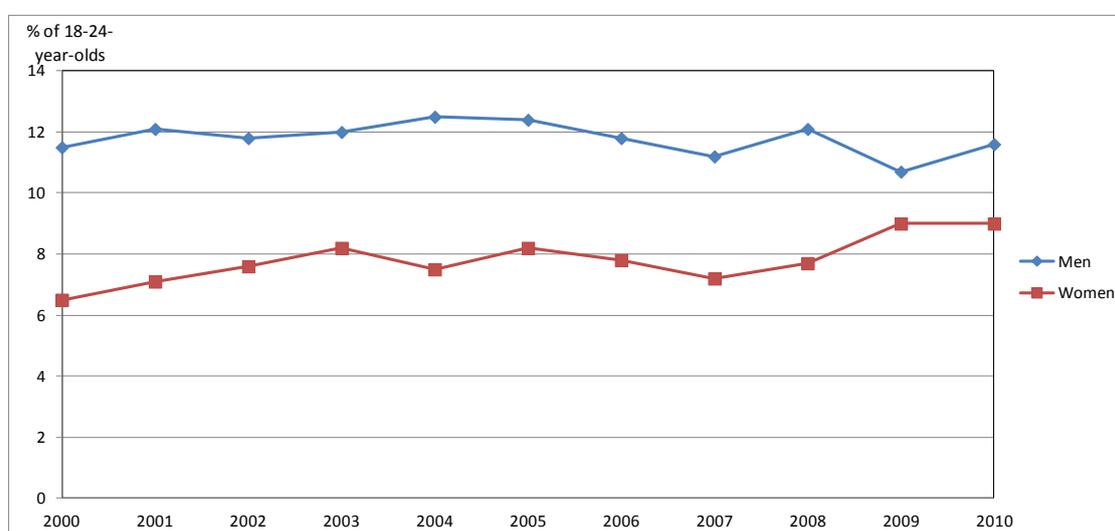
The third sector is very active in both social and health issues and in social inclusion more broadly. Majority of funds are allocated through the *Raha-automaattiyhdistys / Slots Machine association*, who allocates approximately 400 million annually for promotion of health and welfare. In the current strategy RAY has focused its efforts on supporting voluntary organizations and forms of peer support.

## 2. Description and assessment of the impact and cost effectiveness of measures introduced or planned under the 3 strands

The active inclusion measures have been developed in recent years with the main aim of addressing potentially excluded young people. Employment is seen as the main “remedy” or preventive measure against social exclusion and therefore most policy measures have targeted this issue. There are however very few indications and indicators that would provide one with the evidence needed to assess the effectiveness or cost efficiency of the measures introduced and many measures have been of quite recent origin and therefore too early to judge.

The issue of social exclusion and the objective of active inclusion have been actively debated in the last few years. Particular concerns have been expressed in connection with the young people, whose inclusion is seen as perhaps the most pressing future challenge of the Finnish society. One of the early indicators of exclusion is school drop-outs. As already indicated in the previous report summarising some of the key findings and data from the social report, around one-tenth of the age group 18–24 are early leavers from education. The share is slightly higher for boys than for girls. The early school-leavers from education include persons who have no post-lower-secondary education or who are not studying during the year. Some of these young persons are in the army or on parental or childcare leave.

**Figure 1. Early leavers from education: percentage of the population aged 18-24 with at most lower secondary education and not in further education or training in 2000 - 2010**



Source: Eurostat, cited in National Social Report, p. 34.

While the government has set ambitious goals and taken many steps to address the problems, the challenges are considerable. **Who is socially excluded** has been one of the principal issues and pressing questions debated. Some background figures from a statistical point of view are given below.

**Figure 2: Some statistics on exclusion of the young** (Source: Myrskylä 2012)

**15-29-year olds**

Total population: 1 005 927 persons

Of whom socially excluded: 51 341 persons (5 %)

**Of the socially excluded group,**

**Unemployed** 18 830

Other 32 511

Men 64 % (32 871 persons)

Women 36 % (18 470 persons)

Of Finnish origin 67 %

Of other than Finnish origin 23 % ( 11 850 persons)

**Of the excluded men...**

Of Finnish origin 78 % (25 662 persons)

Of other than Finnish origin 22 % (7 209)

**Of the excluded women...**

Of Finnish origin 75 % (13 829 persons)

Of other than Finnish origin 25 % (4 641)

**Without tertiary education (education past 16 years)**

**All** 407 942

Excluded 51 300 (12,6 %)

**Of the group without tertiary education, excluded**

Of men 13 %

Of women 8 %

**Of the group without tertiary education and of non-Finnish origin, excluded**

Of men 33 %

Of women 26 %

Around one-tenth of the age group 18–24 are early leavers from education. The share is slightly higher for boys than for girls. The early leavers from education includes persons who have no post-lower-secondary education or who are not studying during the year. Some of these young persons are in the army or on parental or childcare leave.

What has been disconcerting about social exclusion in Finland is that there is an increasing group of young people who have fallen outside the safety net of the Finnish welfare system. They are not job seekers, not students, simply “they are not visible in any statistics” (Myrskylä, op.cit, p. 1). The group where this problem is most acute is dominated by men. Approximately 25% of the excluded group have an immigrant background and the problem here is for instance in the difficulty in immigrant youths to gain student placed. The most severe exclusion problems are faced by young non-educated immigrant men, who have no social ties into the community and no family. Many of this groups end up homeless and the social exclusion vicious cycle is formed.

This target groups is addressed through many policy measures and programmes, though various studies and evaluations have given relatively little positive assessments on the effectiveness of the measures thus far implemented (e.g. Pitkänen et al 2012, Rotko et al. 2010, Lähteenmäki-Smith & Terävä 2012).

## 2.1 Adequate income support

There has been a move towards more activation measures and incentives which support the integration into active labour force of all population groups. As well as in the governmental programme and its various measures, this is clearly stated also in the strategy of the Ministry of Social Affairs and health (from 2011), where it is argued that

*Taxes, social security contributions, social benefits, income transfers and services must form a coherent framework that encourages paid employment and ensures that employees can retire healthy. An incentive-based social protection system encourages people to promote their welfare themselves.* (Ministry of Social Affairs and health 2011, p. 6).

The policy goals seek to decrease social exclusion and differences in economic and social welfare. The government seeks in particular to support incentives to work and to reduce cross-generational poverty. Poverty and social exclusion have not traditionally been inherited positions in the Finnish society, due to the well-functioning safety net of the welfare state, but there are signs of this net becoming increasingly weakened and eroded. Exclusion is becoming increasingly a condition that is passed on to the next generation. Over half of the parents of children today excluded are also in the socially excluded group. Out of the young fathers outside the educational system or unemployed, 40% have only primary education and 85% of the young mothers.<sup>11</sup>

Not all manage to be employed and by so doing to gain adequate income, for example due to advanced age, illness, unemployment, disability, rehabilitation or similar reason. Income security benefits should provide for them an adequate standard of living that promotes cohesion and safeguards the integrity of society. These goals are addressed for instance through the following measures on the current government's policy agenda and instrument portfolio:

Basic income level must be ensured to everyone. The system of income support is currently under review and the following instruments are assessed in turn:

- Unemployment benefit (2012)
- Housing benefit (2012)
- Student benefit (2014)
- Income support (2012)

The service portfolio relating to the benefits is to be better integrated and forms of social lending on the local level are developed as a means of addressing individual financial difficulties. Municipalities grant social loans to enable applicants to put their financial affairs in order, break debt cycles, getting a place to live, furthering rehabilitation or employment, housing security or overcoming a particular short-term problem.<sup>12</sup>

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<sup>11</sup> Ministry of Social Affairs and health 2012, p. 14.

<sup>12</sup> On the social income support and its various forms, see: [http://www.stm.fi/en/income\\_security/benefits](http://www.stm.fi/en/income_security/benefits)

A working group was assessing the adequacy of basic income support in 2010-2011, with the report published in 2011. The National Institute for Health and Welfare convened the group with experts representing research institutions, the Social Insurance Institution (KELA), Statistics Finland and the University of Turku. In their report the group presented the assessment of the disposable income in families relying on basic income support:

*The disposable income of households on basic benefits has increased by between 4% and 41% in real terms between 1990 and 2011, but disposable income after housing costs has decreased in all other groups except pensioners. For guarantee pension recipients living alone, disposable income after housing costs has increased by 27% in real terms. By contrast, for persons living alone on basic unemployment benefit, minimum sickness allowance or a study grant (including study loans), disposable income after housing costs has decreased by about 2% in real terms since 1990.*

*The income before housing costs of a person living alone on basic benefits is now, in 2011, between 37% and 45% of that of an average wage earner. However, the income after reasonable housing costs of a person living alone on basic benefits is only 23% to 32% of that of an average wage earner. The income of persons on basic benefits, as a percentage of the income of average wage earners, has been decreasing since 1990 regardless of whether housing costs are considered or not. Other types of household on basic benefits show similar income levels and trends in relation to the average wage. A person living alone who has gone from a low-income job to earnings-dependent unemployment benefit has an income that is about 42% of that of an average wage earner, and after housing costs only 28% of that of an average wage earner; both of these percentages have been declining since 1990. (Ibid, p. 95).*

The group concluded that the basic income level on basic subsistence was perceived to be insufficient. Most of the households living on basic benefits themselves felt that they were unable to meet reasonable minimum living costs. With the introduction of the guarantee pension, pensioners are currently the only population group for whom basic benefits are sufficient to safeguard reasonable minimum living costs. Income in other types of households on basic benefits however only covers about two thirds of reasonable minimum living costs. The study also assessed the perception of the public and also in this regard concluded that the income of households on basic benefits did not meet what the Finnish public would consider to be "sufficient minimum subsistence". By international comparison it was found that the Finnish minimum subsistence before housing costs was average. Given the high level of housing costs and their influence on the relative level of minimum subsistence, Finnish minimum subsistence was found to fall somewhat below the western European average.<sup>13</sup>

## 2.2 Inclusive labour markets

As reported in the previous report and indeed in the Finnish NSR, for the time being the impact of the economic crisis has worked principally through the diminishing opportunities in the labour market – especially for the young whose unemployment rate has grown alarmingly from 16.5% in 2008 to 21.4% in 2010. The over-all unemployment has not changed drastically from 2011 to 2012 and was around 8% in May 2012, though with significant regional variations.

In order to better address the needs of the volatile group of the young unemployed (18-29 years old), the Finnish Government is introducing the social guarantee for young people in full from the beginning of 2013. Every young person under 25 years old and recently graduated people under 30 years old will be offered a job, on-the-job training, a period in a workshop or rehabilitation within three months of becoming

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<sup>13</sup> Moisio et al 2011.

unemployed. The goal is also for every child who completes basic education to be guaranteed a place of study in upper secondary school education, vocational education, apprenticeship training, a workshop or in rehabilitation. Problems will be addressed with early-stage study counselling and by offering personal support. In this way, social exclusion among young people and the accumulation of social and health problems can be prevented. Particular attention will be paid to key transitional stages and junctures: ending of basic education, early termination of secondary education, and entering employment for the first time.

In the area of pensions, there are planned changes to extend the working age and reform the unemployment benefit, but these have not yet been costed to the CSR. There are currently two high level working groups preparing the reform and they are expected to put forward their proposals at the end of 2013. The mid-term report from one of the groups was published in March 2012 and caused considerable discussion. The current agreement between the social partners has implied a solution where the retirement age in 2025 would be raised to 62,4 years. Indeed as the last report stated already, extending the retirement age and prolonging working life has been broadly accepted as one of the most effective remedies to public finance deficit (currently 5 percent of the GDP). According to initial estimates, a one-year addition to the average working career in Finland alone could reduce the deficit by 1 percent (approximately 2 billion Euros).

On the strategic and discursive level investments in human capital and lifelong learning are among the top priorities of the current government. Yet due to budgetary constraints there are considerable cuts in educational quotas and budgets, which can have detrimental effects on the actual realities. The government's target of making Finland the best educated and competent people in the world by 2020 is thus a challenging one. Finland is in fact quite far behind the global leaders (South Korea and Canada) in educational terms. Due to the large differences between different population groups, Ministry of education is currently working on a programme to improve the educational equality. The intention of the programme is to foster creativity and different types of talents and to promote gender equality in education. One of the goals is combating social segregation. The draft is expected by the end of 2012.

There have been additional funds allocated for workshop-based sheltered employment and training. These efforts are important in combating the social exclusion and segregation, though at the same time the assessments of such types of employment and social economy have not been uniformly positive. There is broad agreement however that the impacts cannot only be measured in employment terms, rather there are other more qualitative effects that should also be taken into consideration and more nuanced assessment methodologies developed.<sup>14</sup>

### **2.3 Access to quality services**

The access to services is a constitutional right and as such carefully protected and promoted. Municipalities are responsible for a wide variety of social and welfare services, which they have great difficulty in ensuring given the current budgetary pressures and demographic changes. As the service structure is under pressure and legislative and structural changes on-going, access to services is an issue that needs to be promoted also by more pro-active measures. Many of such measures are promoted and implemented in the context of the KASTE programme, where also the indicators include diminishing the regional differences in access to services. Overall budget for development projects annually is 17.5 million euros.

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<sup>14</sup> See for instance Kuure 2010.



**Figure 3: KASTE programme in a nutshell**

## 3. Financial Resources

### 3.1 National resources

Social and health services are the main budget cost for local authorities. In the 2012 budget Social Affairs and Health Administration had a budget proposition of 12.1 billion euros. As indicated above, the assessment of sufficiency leaves room for improvement. The government has in fact proposed increases which seek to address the criticism raised, i.e. the insufficient level of basic income support.

The situation in 2012 is difficult, but likely to become even tighter in the next few years, due to local economy cuts. Of the funding allocated in 2012, largest share goes into unemployed persons' basic allowance, social support and housing income support, as well as the basic component of social assistance. Budgetary increases were introduced in particular for income support for single parents. In September, the budget was passed in connection with the state spending limits for 2013-15. The main focus areas during the budgetary period have been poverty reduction, inequality and exclusion and improvement of services (both in terms of quality and access). There were also improvements in the support for low-income families.

The level of basic living allowance is to be increased to 6 per cent next year. A person living alone basic component of income increase would be 25.15 euros a month, which is an estimated level of 444.26 euros per month. The reform is expected to increase state spending 39 million euros in 2012, if the basic income support is the estimated 240 000 households. For single parents the basic component of social assistance is increased to 10 per cent, leading to an increase in state spending of EUR 5 million. Social assistance recipients single-parent families is expected to be in total 28 000 in 2013.

State unemployment is estimated to be spending next year, a total of 2.1 billion euros (1.92 billion euros in 2011). The unemployment rate is estimated to have declined in the 7.9 per cent to 7.6 per cent, with unemployment benefits expected to necessarily imply increases in costs.

Family and housing costs, and related services were proposed an appropriation of EUR 2.5 billion. This is about 67 million more than this year.

### 3.2 Use of EU Structural Funds

Structural Funds are an important addition to social inclusion-related activities and policy measures in Finland. The budget share in 2007-2013 is approximately 1,7 billion euro. When the leverage effects are considered, this is an important input. National funding share is approximately 2.01 billion euro, with 75% share being provided by the central government and 25% by the local authorities. An estimated 2.3 billion is provided by the private sector partners. In the next programming period the share of the local authorities is expected to be higher, which will be difficult to achieve in the current economic circumstances.

The importance of structural funds in the area of social inclusion is significant and many project activities are seeking to test and mainstream practices that could be significant in the future when combating the social exclusion and challenges of welfare when faced with the ageing population. There still seems to be too much overlap and despite efforts to the contrary also lack of coordination in assessing, testing and piloting best practices. Many efforts in social inclusion field are on-going at the same in different parts of the country time without the information flowing sufficiently effectively.

In order to mainstream and assess the effects and pros and cons of different working practices in the social and health sector, important efforts have been on-going to ensure coordination and flow of information. A shared testing and innovation platform has been developed to support this work, coordinated in collaboration between the Association of Finnish Local and regional Authorities, Ministry of Social Affairs and health and the institute for health and Welfare.<sup>15</sup>

### 3.3 Monitoring and evaluation

All policy measures and programmes are evaluated, though not always with external expertise. In the case of major policy instruments and new legislative proposals this is however the case.

The action plan described earlier in this report is to agree on a set of indicators and a monitoring system, though still is still work in progress. KASTE-programme is going to keep its current main targets, though the evaluation proposed a more targeted and step-by-step approach to monitoring and indicators, i.e. a more fine-tuned Logical Framework model instead of the broad societal indicators without clear links to the

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<sup>15</sup> [www.innokyla.fi](http://www.innokyla.fi)

activities.<sup>16</sup> The main targets include increase in social inclusion, well-being and health, as well as reduction of regional inequality in terms of health inequalities, improvements in perceived service quality, effectiveness and availability of services. All projects implemented within these programmes are expected to be subject to similar peer review and evaluation processes, through the Innokylä instrument and its REA (Relational Evaluation Approach) methodology.<sup>17</sup>

## 4. Recommendations

The approach to integrated comprehensive approach is quite well developed. The action plan has been approved and it touches upon the key areas of relevance in social inclusion field. The dialogue has improved and the different parties are represented in the process. On the level of the overall approach three main recommendations include:

- Better monitoring methodologies and knowledge-sharing, including impact assessments and benchmarking.
- Decrease in unnecessary overlap of piloting and testing (improved by improved dialogue and monitoring), in particular in light of the up-and-coming decrease in Structural Funds resources, less needs to be more and use of resources need to be more carefully considered.
- Improving the voice of the service users in the processes, including also more effective use of methodologies and instruments for qualitative and experience-based indicators. This is an area where considerable development work is already on-going, but all results and experiences need to be made effectively available.

Many of the issues above are also related to the general point about coordination, i.e. the persistent sector-dominance and the difficulty to ensure effective horizontal coordination. Better use should be made of the independent external experts and the deep and wide expertise of the research organisations such as National Institute of Health and Welfare.

Within the thematic issues, the following recommendations for priority actions can be made:

### **Adequate income support:**

- The legislative reforms are seeking to address the main weaknesses. The much debated basic income “citizens pay” could be seriously assessed as an option.

### **Inclusive labour markets:**

- Tax rebates have been proposed to support R&D investments in SMEs. Similar rebates could be proposed for employing those with social exclusion problems. Micro loans for setting up social enterprises could also be expanded.

### **Access to quality services:**

- Using public procurement as an innovation support and creating cooperatives and other forms of consortia of micro companies could both support access to services and entrepreneurship.

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<sup>16</sup> Lähteenmäki-Smith & Terävä (2012).

<sup>17</sup> <https://pilotointi.innokyla.fi/menetelma.php>.

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A more systematic assessment of benchmarking cases and peer reviews in Finland and in Europe should be used in all three areas. Mentoring and exchanges between organisations in different policy sectors could also be used as a means of improving horizontal dialogue, exchange of best practice and understanding.

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## Summary tables

**Table 1**

To what extent has an integrated comprehensive active inclusion strategy been developed in your Member State?												
	Comprehensive policy design			Integrated implementation			Vertical policy coordination			Active participation of relevant actors		
	Yes	Somewhat	No	Yes	Somewhat	No	Yes	Somewhat	No	Yes	Somewhat	No
<b>For those who can work</b>	X				X		X			X		
<b>For those who cannot work</b>		X			X		X			X		

**Table 2**

To what extent have active inclusion policies/measures been strengthened, stayed much the same or weakened since 2008 in your Member State?									
	Adequate income support			Inclusive labour markets			Access to quality services		
	Strengthened	The same	Weakened	Strengthened	The same	Weakened	Strengthened	The same	Weakened
<b>For those who can work</b>	X			X				X	
<b>For those who cannot work</b>	X			X				X	

