



ESPN Thematic Report on Social Investment Finland

2015

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EUROPEAN SOCIAL POLICY NETWORK (ESPN)

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Finland
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Contents

SUMMARY	6
1. ASSESSMENT OF OVERALL APPROACH TO SOCIAL INVESTMENT	8
2. ASSESSMENT OF SPECIFIC POLICY AREAS AND MEASURES / INSTRUMENTS	9
2.1. Support for early childhood development	9
2.1.1. System characteristics of early childhood education and care (ECEC)	9
2.1.2. Evaluation of early childhood education and care (ECEC)	10
2.1.3. Pre-primary education	11
2.1.4. Cash and care for families	11
2.1.5. Parenting services	12
2.2. Supporting parents' labour market participation	13
2.2.1. Maternity/paternity allowance	13
2.2.2. Childcare	13
2.2.3. Social investments in old age	14
2.2.4. Planned changes	14
2.3. Policy measures to address social and labour market exclusion	15
APPENDIX	18

Summary

- The importance of the social investment paradigm varies from policy to policy. Sometimes the very same policy domain has explicit social investment goals, but simultaneously it may include elements that contradict the EU idea of social investment.
- The social investment paradigm in Finland is applied to children even before their birth. Municipal free of charge maternity and child health clinics provide advice and medical counselling for the expectant mother. Prenatal small group classes and childbirth coaching sessions for first time mothers and fathers are organised to prepare the future parents for the delivery and parenthood.
- Child health clinics assess the physical, mental and social condition of children under school age, provide vaccinations and support parents in providing secure, child-focused rearing, whilst also helping them take care of their relationships. The clinics carry out multi-professional collaboration with other professionals working with young families.
- A maternity package is given for free to each child. The package contains children's clothes and other necessary items. The most important role of the package is that it creates an incentive to participate in prenatal health screening: In order to receive the package the mother must have undergone a medical examination.
- Free meals are available from kindergartens to colleges while post-college student meals are subsidised.
- In Finland, pupils' skills are linked to the parents' education and socio-economic position to a lesser extent than in most other PISA countries. However, fiscal consolidation, the increasing number of pupils in classrooms, and savings in special education and training may create problems in the long run.
- There is a wide range of services targeted at families with children. The problem is that the emphasis on fiscal consolidation has eroded the possibilities of fully and effectively utilising all the options. Municipalities solve their economic problems in straightforward ways, i.e. cutting services without considering the social investment aspect.
- Municipalities concentrate on those measures they are legally obliged to carry out. Spending is geared towards 'heavy' services – i.e. child protection measures.
- instead of 'light' investment-like services such as home help and support for families. In the last two decades the role of home help services has dramatically decreased.
- There is an alarming increase in child custody cases, particularly among the 15-16 age group and among 2 year olds. This trend calls for stronger support and better coordination of services for families in need.
- There are municipalities that have successfully reversed this worrying trend and, by investing more in home help and family services, they have been able to simultaneously cut down expenditure and enhance social investment.
- In some ECEC areas investment in children is an explicit theme (e.g. in pre-primary education), whereas some policy measures, (e.g. home care allowance), may contradict the goal. Furthermore, home care allowance may become a trap for women by hindering their employment prospects.
- A wide variety of measures supporting parents' labour market participation are available: subjective right to day care, part-time care, flexible care, temporary care leave.

- For labour market inclusion there are rehabilitative policies available: vocational, medical, and social rehabilitation, rehabilitative work experience and rehabilitative psychotherapy.
- The youth guarantee was started in Finland in 2013, and all job seekers have a number of options to improve their workability: labour market training, self-motivated study, work try-outs, preparatory training for working life, on-the-job training, work and training try-outs, integration measures for immigrants and rehabilitative work activity. The problem is not the number of options. Improving coordination of measures and actors would lead to better results.

1 Assessment of overall approach to social investment

In this report we describe the structure of Finnish social investment policies and assess whether the development of social policy programs in the 2010s has followed the guidelines sketched in the 2013 European Commission's Social Investment Package (SIP). 'Social investment' pertains here to those policy programs that are intended to improve people's human capital and support participation in society. We also assess the ability of social policies to combat poverty and social exclusion. When it comes to combatting poverty, material deprivation and social exclusion the Finnish welfare state works well comparatively speaking. Furthermore, there are many policy areas that have social investment as the underpinning theme.

The best examples of social investments in Finland are free of charge maternity and child health clinics providing advice and medical counselling for the expectant mother. Prenatal small group classes and childbirth coaching sessions for first time mothers and fathers are organised to prepare the future parents for the delivery and parenthood. In child health clinics; the physical, mental and social condition of children under school-age is assessed by a special nurse or a medical doctor. The clinics provide vaccinations and support parents. The maternity package is a special innovation. The package contains children's clothes and other necessary items. The most important role of the package is that it creates an incentive to participate in prenatal health screening: to receive the package the mother must have undergone a medical examination. In short, the policies targeted at early childhood have a very strong social investment emphasis.

The educational system aims to level the gaps between children coming from different backgrounds. Universal services, nationwide curriculums and free meals are important social investment steps. In principle, the idea of social investment is present already in kindergartens and fortified later in pre-school and school education. The Early Childhood Education and Care (ECEC) is based on an 'educare' model that integrates care, education and teaching. The contents of care and pre-school activities are directed by national guidelines to establish equal principles everywhere in Finland. The National Curriculum Guidelines on the ECEC state that "a good childhood is the most valuable capital in human life". The educative view – and hence, social investment approach – on the ECEC was strengthened by the beginning of 2013 when the responsibilities for the ECEC were transferred from the Ministry of Social Affairs and Health to the Ministry of Education and Culture and the ECEC became a part of the educational system whose deliberate goal is to enhance social investments in the young. To some extent, the system has been successful. In Finland the pupils' skills are linked to parent's education and socio-economic position to a lesser extent than in most other PISA countries. However, fiscal consolidation, the increasing number of pupils in a classroom, and savings in special education and training may create problems in the long run.

The service repertory targeted at families with children is ample and enhances various social investment objectives, both for children and parents, improving their opportunities to take part in the labour market. The problem is that in the political discourse there is a strong emphasis on fiscal consolidation. The public authorities solve their economic problems most often in very straightforward ways, i.e. cutting services and other benefits without considering the social investment aspect. For example, municipalities concentrate on those measures they are legally obliged to do. Spending is geared towards 'heavy' services – i.e., on such child protection measures as taking a child into custody – instead of financing 'light' investment-like services such as home help and other support for families. In the last two decades the role of home help services has dramatically decreased. The good news is that there are municipalities that have successfully reversed this worrying trend and, by investing more in home help and family services, they have been able to simultaneously cut down expenditure and enhance social investment.

In some ECEC areas investment in children is an explicit theme (e.g. in pre-primary education), whereas some policy measures (e.g. home care allowance) may contradict

the goal. Furthermore, home care allowance may become a trap for women, hindering their employment, and possibly leading to inadequate pension coverage.

A wide variety of measures supporting parents' labour market participation are available. For labour market inclusion there are rehabilitative policies available, the youth guarantee was started in Finland in 2013, and all job seekers have a number of options to improve their workability.

The sections below report on specific policy areas: support for early childhood, pre-school, education, support for parents and their employment possibilities and combatting poverty and labour market exclusion. The main conclusion is that all these measures have a social investment perspective, but while it is more clearly spelled out in some measures, it is hidden in the background of others. The problem is not the number of options and their underpinnings, the problem is the insufficient coordination of various actors in the field. Better coordination of measures and actors would lead to better results. Furthermore, whereas the time horizon in social investments expands to several decades, the horizon in austerity measures is much more limited. The future costs of present day cuts are too hard to evaluate to be an effective force in political discourse.

2 Assessment of specific policy areas and measures / instruments

2.1 Support for early childhood development

1.1.1. System characteristics of early childhood education and care (ECEC)

In Finland, there is a dual system of early childhood care. On the one hand there is a subjective right to day care for each child until the child starts school, which most often takes place at the age of seven. Parents must apply for day care four months in advance. Where a parent finds a job or starts studying, the child will be granted a day care placement within a fortnight. On the other hand, there is a cash-for-care system. Those parents who do not use municipal care are paid a compensation called 'home care allowance'.

Municipal day care: Municipalities produce 90% of all day care by themselves. The total costs are € 2.9 billion. Municipal day care can be offered in *municipal day care centres*, in *family day care* or in *group family day care*. Day care is available on a full-time basis (for a maximum of 10 hours a day) and on a part-time basis (for a maximum of 5 hours a day). About 80% of children participate in full-time care¹. Public authorities should offer services at the hours that the family needs. The fees for using public day care depend on the family's size and income and the hours of care needed. The fee varies from €0 to a maximum of €283 a month per child². The fees collected from the parents cover about 14% of all the costs, the rest is from the public purse.

Private day care: There is a growing number of private service providers and NGOs offering childcare. Charges in private day care vary depending on the service provider. A special *private care allowance* is available to cover the fees parents have to pay for the service that can be provided by a private day care centre or a nanny that the family has hired.

Municipal day care is the most popular form of care. Its share has increased from 61% in 2000 to 76% in 2012. While the share of family and group family care has diminished from 32% in 2000 to 16% in 2012, the share of private care has been rather constant and hovered around 8%.³ Due to the home care allowance, the

¹ Lasten päivähoito / Barndagvård 2012. Helsinki: THL, p. 3.

² <http://www.minedu.fi/OPM/Koulutus/varhaiskasvatus/paivahoitomaksut/?lang=fi>.

³ Lasten päivähoito / Barndagvård 2012. Helsinki: THL, p. 2.

number of children aged 1 to 6 enrolled in day care is low as compared with other European countries, particularly so in comparison to the other Nordic countries⁴. At present about 62% of that age group is in some form of day care. The rest, i.e. 38%, is cared for at home. The age of the child is an important factor: less than 1% of children under one year are in day care. The share is 41% for the age group of 1 to 2 years and 74% for those in the age bracket of 3 to 5 years⁵ (see Appendix – Table 1). There is also a huge geographical variation (50% to 80%) between counties in the utilisation of day care services.

Spending on children comprises about 3.4% of GDP. The share is rather evenly distributed between cash and care⁶. Until 2015, there had not been any family-related tax exemptions. However, when the Alexander Stubb coalition cabinet decided to cut universal child allowance by 8%, a tax exemption for low-income earners was introduced to compensate the detrimental effect of the cut. In terms of euros spent on childcare or children, Finland is one of the biggest spenders in the EU⁷.

1.1.2. Evaluation of early childhood education and care (ECEC)

The Finnish National Curriculum Guidelines on the ECEC state that “a good childhood is the most valuable capital in human life”.⁸ In order to achieve that, an individual ECEC plan together with the parent is designed for each child to promote the child’s balanced growth, development and learning. For children with specific needs, tailored care possibilities are offered.

The educative view on the ECEC was strengthened at the beginning of 2013 when the responsibilities for the ECEC were transferred from the Ministry of Social Affairs and Health to the Ministry of Education and Culture. The ECEC became a part of the educational system whose deliberate goal is to enhance social investments in the young.

Special emphasis is paid to the qualifications of the personnel. The qualification required for kindergarten teachers is a university or university of applied sciences degree. All day care centre personnel must have at least an upper secondary-level qualification in social welfare and healthcare (ISCED 3). Family day care providers also must have vocational qualifications that are stipulated by legislation.⁹ Hence, the quality of personnel is not a problem, instead the problem is the increasing child to staff ratio. The Finnish child-to-staff ratio in formal day care services for 0-3 year olds is 12.7. The number is close to the EU average, but almost double that of Denmark (6.9).¹⁰

Austerity measures in municipalities have increased the child to staff ratio and the average number of pupils in a classroom. Also, support measures for children with specific needs have been cut. The dilemma is that whereas municipalities are trying to balance their annual budgets, social investments will give their first returns after a couple of decades. The problem is that in the longer run, the short term budget rationalism leads to heavier costs than investments in prevention would do.

In Finland, there are two competing political discourses linked to the principal goals of day care. The first one emphasizes freedom of choice and consequently, supports the cash-for-care (home care allowance) that gives families the possibility to choose between day care and home care. Furthermore, it is argued that home care is the best

⁴ Bouget, D., Frazer, H., Marlier, E., Sabato, S. and Vanhercke, B. (2015), Social Investment in Europe: A study of national policies, Annex 3 – Selection of indicators, European Social Policy Network (ESPN). Brussels: European Commission.

⁵ THL (2014): Lasten päivähoito 2013 - Barndagvård 2013. https://www.julkari.fi/bitstream/handle/10024/125389/Tr33_14.pdf?sequence=2.

⁶ OECD Family Database www.oecd.org/social/family/database.

⁷ Bouget et al. (2015), Annex 3, Table A1-A2.

⁸ http://www.thl.fi/documents/605877/747474/vasuesite_englanti.pdf.

⁹ *Laki lasten päivähoidosta* 4 a § (28.12.2012/909)

¹⁰ Bouget et al. (2015), Annex 3, Table A4.

form of care for small children and the best support for their emotional development. Needless to say that there are strong gendered consequences: the employment rate of mothers with small children is low in Finland (see section 2.2.). The other (leftist) discourse emphasises gender equality and equal possibilities for mothers and fathers to participate in employment and parenthood. In this interpretative frame it is argued that quality universal childcare evens out cognitive and other differences between children from rich and poor backgrounds. From that perspective home care allowance may be detrimental for immigrants. For immigrant mothers there may be a strong incentive to stay at home with their children and consequently, their contacts with the surrounding society might remain very limited. Furthermore, the educational threshold may be onerous for immigrant children who have been cared for at home until they begin the obligatory education.

1.1.3. Pre-primary education

Pre-primary, 'pre-school': Pre-primary education is a legislated duty for municipalities and is free of charge. Up to 2015 participation was voluntary, but nevertheless virtually all (96%) 6-year-olds participated.¹¹ From the beginning of 2015 pre-primary education became compulsory for all children at age 6¹². The starting age of 7 in Finnish schools is high in comparison with many other EU Member States. In practice, the 2015 reform speeds up the school start by one year. The 2015 reform completed one of the central aims of basic education: all children regardless of their home background have the possibility, on equal terms, to get pre-primary education that fulfills the nationally set standards. Hence, the reform tries to combat transmission of disadvantage between generations by offering equal possibilities for everybody. "Every child in Finland has the same educational starting point", claims the Ministry of Education and Culture.

In the PISA comparisons, the Finnish educational system performs very well. The average skills are among the highest in the world. While the share of pupils performing below the lowest PISA baseline is low, the share of top-performers is among the highest, and the impact of family background on learning results is one of the lowest. The worrying finding is that the results have been in decline¹³. An additional concern is that due to fiscal consolidation, the government has decided to save €260 million in the educational system. Public discussion has focused on worries about increasing class sizes, which may jeopardise the good results in the PISA studies and make it impossible to reverse the downward trend in results.

1.1.4. Cash and care for families

In principle, the social investment paradigm in Finland is applied to children even before their birth. **Municipal maternity and child health clinics** provide advice and medical counselling for the expectant mother, who will meet a nurse or medical doctor 11-15 times during her pregnancy¹⁴. Clinics are free of charge. Prenatal small group classes and childbirth coaching sessions for first time mothers and fathers are organized to prepare the future parents for the delivery and parenthood.¹⁵

A uniquely Finnish initiative is the **maternity package** that is given for free to each child. The package contains children's clothes and other necessary items, such as bedding, cloth nappies, gauze towels and child-care products¹⁶. There is an incentive

¹¹ http://www.oph.fi/english/education_system/early_childhood_education;
<http://www.minedu.fi/OPM/Koulutus/esiopetus?lang=en>.

¹² http://www.minedu.fi/OPM/Verkkouutiset/2015/01/pri_primary_education.html?lang=en.

¹³ <http://www.oecd.org/pisa/keyfindings/pisa-2012-results-overview.pdf>.

¹⁴ http://www.stm.fi/en/social_and_health_services/health_services/primary_health/maternity_clinics.

¹⁵ See e.g., <http://www.hus.fi/en/medical-care/medical-services/maternity-services/babyjourney/Pages/default.aspx>.

¹⁶ <http://www.kela.fi/web/en/maternitypackage>.

to participate in prenatal health screening attached to the maternity package: In order to receive the package the mother must have undergone a medical examination.

School and student healthcare takes over when the child starts his or her school at the age of 7¹⁷. In addition to **free school meals** each municipality is responsible for organising healthcare for the pupils. School healthcare is free of charge. The problem is that municipalities have also tried to reduce these costs, and consequently, accessing school healthcare has become more difficult. About one third of pupils say that it is hard to get access to school healthcare¹⁸.

The main child-related cash transfer is the universal **child allowance** (€1.5 billion). The allowance is payable to every child below 16 years of age. The amount of the benefit paid depends on the number of children and single parents will get higher benefits for each child (see appendix).¹⁹ The real value of the benefit has decreased by 30% from 1985 to 2015.²⁰ The next biggest spending items are **maternity and paternity allowance** (€1.0 billion), childcare support schemes, i.e., **home care allowance and support for private care** (€0.5 billion) and **housing allowance** for families with children (€0.3 billions). Comparatively speaking, family-related cash transfers in Finland perform well and the differences between pre- and post-transfers is one of the biggest in the EU, which indicates that expenditures are effectively allocated to combat child poverty²¹. Indeed, child poverty rates are very low in Finland: AROP 9.3% (second lowest in the EU after Denmark), AROPE 13% (lowest), severe deprivation 1.8% (lowest) and persistent poverty 3.2% (lowest)²².

1.1.5. Parenting services

In principle, Finland has a wide range of services targeted at families with children. However, the emphasis on fiscal consolidation has eroded the possibilities for fully and effectively utilising all the options. The economic problems individual municipalities are wrestling with are usually solved on the basis of very practical considerations, and social investments do not play any major role in this daily policy making. Municipalities concentrate on those measures they are legally obliged to do. Consequently, the emphasis on spending is on 'heavy' services – i.e., child protection measures such as placement in foster homes, taking in custody – instead of 'light' investment-like services such as home help and support for families.²³ For example, while two decades ago some 60,000 families got home help, the present number is only 10,000 families. In the same period, costs for 'heavy' measures have tripled. In 1991 about 9,000 children were placed outside their home as a part of child protection measures. In 2011, the number was almost doubled.²⁴

There is a growing political awareness of the problem. The governmental programs have explicitly set targets concerning child welfare and investments in children, the child ombudsman carries out annual evaluations and gives recommendations for policy options, and an extensive set of policy indicators (at national, regional and municipal level) evaluating child welfare has been developed.²⁵ In all those activities the

¹⁷ http://www.stm.fi/sv/social_och_halsotjanster/halsotjanster/primarvard/skolhalsovard.

¹⁸ http://www.lapsiasia.fi/c/document_library/get_file?folderId=479644&name=DLFE-29907.pdf.

¹⁹ http://www.kela.fi/documents/10180/1677517/Pocket_Statistics_2014.pdf/0a82c9eb-1722-43ce-8c62-4fe6fdcf5ba.

²⁰ The Stubb (conservative) cabinet was nominated 24.6. 2004. The senior partners are the Conservatives and the Social Democrats and the junior parties are the Swedish Peoples Party and the Christian Democrats. The Greens who were initially in the cabinet resigned 18.9. 2014 as a protest against the cabinet's majority decision to give permission to build new nuclear power station.

²¹ Bouget et al. (2015), Annex 3, Figure A1.

²² Bouget et al. (2015), Annex 3, Tables A5-A9; see also http://www.unicef-irc.org/publications/pdf/rc11_eng.pdf.

²³ http://www.lapsiasia.fi/c/document_library/get_file?folderId=479644&name=DLFE-29907.pdf.

²⁴ http://www.vm.fi/vm/fi/04_julkaisut_ja_asiakirjat/01_julkaisut/08_muut_julkaisut/20130408Enemmae/pe_rhe_NETTI.pdf.

²⁵ <http://uusi.sotkanet.fi/portal/page/portal/etusivu/hakusivu?group=139>.

overarching theme is early intervention and rehabilitation, i.e., social investment. Some municipalities have made successful efforts to reverse this vicious cycle and, by investing more in home help and family services, they have been able to considerably cut down expenditure on more costly child protection measures. These innovative municipalities offer examples that it is possible to cut costs without jeopardising social investment objects and vice versa.

2.2 Supporting parents' labour market participation

2.2.1 Maternity/paternity allowance

Maternity leave can start 5-8 weeks before the child delivery²⁶. After maternity leave, parental leave and parental allowance are available. The parents can share the leave, i.e., it is available also for fathers. After termination of the parental leave period child care leave and child home care allowance are options for parents.

2.2.2 Childcare

One of the most important support systems for parents' labour market participation is reliable and well-functioning childcare. As described above, in Finland, there is a strong subjective right to get municipal day care, if the parents want to have the place for their child or children. **Part-time care allowance** gives the possibility to combine part-time work and part-time care. Parents can take this care leave at the same time (see Appendix for more information on parental leave). **A temporary care leave** for 4 working days is available for care of a sick child under 10 years of age. A **special care allowance** from Social Insurance Institution of Finland (Kela) is paid in the case of long-term illnesses or if the child (under 16 years of age) is disabled. Municipalities administer the **informal care support** to a relative looking after an ill or disabled child.²⁷

Something unique to Finland is the extensive use of the **cash-for-care** option (home care allowance). Almost all (84%) parents use it. In 84% of cases the user is the mother. While the utilisation as such is not linked to socio-economic characteristics, the length of the time period correlates with education and family status (married couple or a single mother). The median period is 17 weeks for one child, 51 weeks for two and 75 weeks for three children. Mothers with high educational attainments tend to take shorter spells than mothers with low-education. Furthermore, whereas 21% of single mothers take periods of longer than two years, the share is 10% for mothers with spouses.²⁸

From the labour market perspective and poverty prevention, home care allowance may be problematic. First, long leaves weaken mothers' labour market position: the longer the leave, the greater the impact. Second, since the low-income groups and single mothers tend to have lengthy leaves, their labour market position in particular is weakened. Third, the level of the allowance is so low that it will be complemented by social assistance, if there is no other income coming to the household. However, being a recipient of social assistance constitutes a significant work-disincentive in Finland. Fourth, receiving social assistance is strongly associated with problems in bringing up the child. Finally, the leave period deteriorates future pension rights – which in turn, lead to higher risks of old-age poverty among (single) women. The inactivity trap (single) in Finland is much higher than the EU average (68.0 vs. 56.1)²⁹.

²⁶ http://www.kela.fi/web/en/maternity-allowance_amount.

²⁷ <http://www.kela.fi/web/en/if-child-is-sick>.

²⁸ <https://helda.helsinki.fi/bitstream/handle/10138/45390/Tyopapereita58.pdf?sequence=1>, 28 and 37.

²⁹ Bouget et al. (2015), Annex 3, Table B.26.

1.1.6. Social investments in old age

The discussion above has mainly dealt with childhood and children. The social investment paradigm is applicable also in old age and a number of policy measures have social investment characteristics. The idea is very prominent e.g. in the Global Age Watch analyses carried out by the Help Age.³⁰ In this vision, active and healthy aging are core issues which not only have their own intrinsic value but they also contribute to the sustainability of the welfare state. It is emphasised that if there is a decent level of income, access to healthcare and possibilities to participate in societal activities, older people can be active and productive much longer. The core issue is an age-friendly society. The most important areas of support required are the provision of decent levels of pension income, access to healthcare and all opportunities to remain active and engaged. According to Help Age Index³¹ Finland occupies the 15th position among the 96 countries included in the 2014 survey. In comparison to the leading country of Norway, Finland loses in capability building, i.e., educational attainment of older people in Finland is lower than in Norway. However, the situation is changing and the younger age cohorts in Finland have much higher educational qualifications than the previous ones. Thus, investment in education is a life-long investment and the returns are visible also in old age.

In this paper it is not possible to analyse the overall social investment characteristics of society at large. Rather, we concentrate on two aspects in elderly care that are relevant from a social investment perspective. The first one is parallel with childcare. Investments in care policies facilitate the care person (usually female) to work full-time or combine care and paid work. The second one is helping older people to stay active and help them in their activities at home instead of placing them into institutions. In the Finnish elderly care system the emphasis has been on home help and sheltered homes. About 12% of older persons over 75 years of age are receiving regular home help, about 10% are living in sheltered homes and about 3% are placed in institutions (old people's homes and hospitals)³². There has been a clear shift from old people's homes to sheltered homes that are not only cheaper than old people's homes or hospital but they are also regarded as more active places to live.

1.1.7. Planned changes

The structure of childcare has constantly been a hot political issue in Finland. There are strong voices demanding longer periods and higher home care allowances for the parents (i.e., mothers) to care for their children after parental leave. Usually the voices are centre-to-right. Voices from the left demand longer parental leaves and greater gender equality in child care which would fortify the mother's position in the labour market.

In spring 2012, the Jyrki Katainen government planned to cut the home care allowance period from three to two years, for children under 2 years old. Cutting public transfers was the most important motivation, but also increasing the labour market participation of mothers was on the agenda. The plan was politically impossible to carry out.

In autumn 2014 the Government laid down two new suggestions. The first one was dividing the leave between the mother and father. The second idea was to limit the right to full-time day care for children whose mother or father are on family leave or are receiving home care allowance. These reforms were planned to be effective from autumn 2015. The parliamentary elections (to be held in April 2015) electrified political debates and finally the Government decided not to present any bills on these family policy issues. They were politically too risky. Less risky is a plan to transfer the

³⁰ <http://www.helpage.org/global-agewatch/>.

³¹ <http://www.helpage.org/global-agewatch/population-ageing-data/global-rankings-table/>.

³² THL (2014): Statistical yearbook on social welfare and healthcare 2013.

http://www.julkari.fi/bitstream/handle/10024/114974/URN_ISBN_978-952-302-046-7.pdf?sequence=1.

informal care support from municipalities to Kela and in that way harmonise varying municipal practices into one nation-wide program.

2.3 Policy measures to address social and labour market exclusion

In addition to unemployment, which is a growing concern, the high number of employees suffering from reduced work capacity is a problem. According to international comparisons the self-rated health status in Finland is lower than in most comparable countries.³³ About 25,000 people retire on disability pensions every year and 260,000 people are on some form of disability pension. The most common grounds for reduced work ability are musculoskeletal diseases and mental disorders. The Ministry of Social Affairs and Health has launched a special program to help people with partial work capacity.³⁴ The project will develop a more effective chain of services to help partially incapacitated workers to continue working or to find employment. The responsibility for adopting the measures lies with the employer and with the local Employment and Economic Development Office.

There are several policy rehabilitation measures available for the long-term unemployed and those with reduced work capacity, who are in danger of social exclusion. Rehabilitation is planned to fortify the claimant's capacities and the ability to cope and better participate in society. As a rule, measures are free of charge. **Medical rehabilitation** tries to repair physical-functional capacity, **rehabilitative work experience** is offered to the long-term unemployed, **vocational rehabilitation** aims at fortifying opportunities to return to employment, and **rehabilitative psychotherapy** is tailored for those whose employment problems are related to mental health. Finally, **social rehabilitation** tries to bring the socially excluded back into society by strengthening their social skills.³⁵ The same aim is in the experimental project on **participatory social policy** launched on 29 May 2013. The main goal is to prevent social exclusion by fortifying incentives in basic social benefits and enhancing the beneficiaries to all kinds of social and work activities, with the idea 'little is more'. Pilots are being conducted in a number of municipalities and their results will be evaluated in spring 2015.

One problem that the Finnish authorities have to tackle is related to school drop-outs, those who are neither in employment nor in education (NEET). The share of NEETs in Finland, although not among the highest ones in the OECD hemisphere, is high enough to be a national worry. In 2011 12% of 15-29 year olds were either unemployed (5%) or inactive (7%). The shares are somewhat lower than the OECD average (9% and 6%, respectively) but higher than e.g. the Netherlands, Norway and Sweden³⁶.

In Finland the youth guarantee (effective since the beginning of 2013) stipulated that everyone under 25 years of age and everyone under 30 years of age who has recently taken a diploma should be guaranteed work, apprenticeship, study or rehabilitation within three months.³⁷ The European Commission launched a similar program, the European Youth Guarantee Initiative, in 2013. Since the Finnish program has been in effect for two years some preliminary research findings³⁸ are available. The good news is that the youth guarantee moderately increased unsubsidized employment among those over 25 years of age and there also was a positive effect on employment among those with vocational school diplomas. The impact on unemployment among the age

³³ Kangas, O. & Blomgren, J. (2014): 'Socio-economic differences in health, income inequality, unequal access to care and spending on health: A country-level comparison of Finland and 16 other European countries', *Research on Finnish Society*, Vol. 7 (2014), pp 51-63.

³⁴ http://www.stm.fi/en/ministry/strategies_and_programmes/people_with_partial_work_ability.

³⁵ http://www.stm.fi/en/ministry/strategies_and_programmes/people_with_partial_work_ability.

³⁶ <http://www.oecd.org/education/skills-beyond-school/EDIF%202013--N%C2%B013%20%28eng%29--FINAL.pdf>.

³⁷ https://www.tem.fi/ajankohtaista/vireilla/strategiset_ohjelmat_ja_karkihankkeet/nuorisotakuu.

³⁸ Hämäläinen, K., Hämäläinen, U. and Tuomala, J. (2014): 'NYT – mallia Euroopalle? Nuorten yhteiskuntatakuun vaikuttavuus.' *Talous & Yhteiskunta*, 4: 42-48.

group of 23-24 years was negligible. The bad news is that the guarantee did not improve the lot of uneducated youngsters that also otherwise have a high probability to be unemployed and socially marginalized.

Since 2011 there has been a 'stick and carrot' approach toward social assistance paid to youngsters aged 18-25. If they do not participate in education or training their assistance can be cut by 20% to 40%. In order to the basic unemployment allowance, the claimant must have been employed for at least 6 months during the two years preceding the unemployment. Not many youngsters fulfil that criterion. If one does not meet the work requirement, one may be eligible for labour market subsidy. It is payable to unemployed job seekers who enter the labour market for the first time or otherwise have no recent work experience. However, there is a 5 month discretionary qualifying period for youths without a degree or education. But if one takes part in employment services, the subsidy is increased by €4.80 a day. There are also some other incentives to enhance labour market participation. Since 2014 it has been possible to earn €300 a month without losing labour market subsidy of basic unemployment compensation. In 2014 about 22 000 unemployed people used the option. From the 1 September 2015 the similar in-work benefits will be extended to housing allowances.

All job seekers have several options to improve their workability. The set of different measures comprises labour market training, self-motivated study, work try-outs, preparatory training for working life, on-the-job training, work and training try-outs, integration measures for immigrants and rehabilitative work activity³⁹. The claimant is entitled to unemployment benefit (labour market subsidy, basic unemployment allowance or earnings-related unemployment allowance). Transition assistance compensates some of the extra costs caused by the participation in activation measures. Also, incentives to local authorities are intensified. Before 2015, the costs of the basic unemployment allowance and labour market subsidy were totally paid by the central government up to 500 days of unemployment. Thereafter, the municipality was obliged to pay half of the costs. From 2015, the limit was lowered to 300 days. After 1,000 days of benefits, the municipality must pay 70% of the costs. All these changes try to compel local authorities to take more responsibility for the long-term unemployed.⁴⁰

The list of supportive measures is comprehensive and Finland uses approximately 1% of its GDP for active labour market policies (ALMP) which is more than the EU average (0.5%) but less than in the leading countries. The problem does not lie in the lack of measures, but in the coordination of measures and different actors. Therefore, the Ministry of Employment and Economy (TEM) evaluates the service structure of the labour policy. The evaluation contributes to the 'Structural Change and Well-functioning Labour Market' strategy sketched out in the Stubb Government programme. The aim is to better coordinate the division of labour between municipalities, Employment and Economic Development Offices, KELA, and unemployment funds. **The Act on multi-sectoral service cooperation** (adopted in 2014) tries to create one-stop-shops by obliging the Social Insurance Institution (Kela), municipalities and employment and economic administration offices together with the job-seeker to draft a 'multi-sectoral' plan for employment⁴¹. In principle, the coverage is universal since according to the legislation an individual employment plan must be done for each job seeker by the employment and economic development authorities and if the job-seeker is in need of rehabilitation an activation plan is sketched by social agencies and the unemployed person and a specific integration plan must be done for immigrants in need for support.

³⁹ <http://www.kela.fi/web/en/employment-promotion-measures>.

⁴⁰ <http://www.kela.fi/tyomarkkinatuen-kuntarahotus1>.

⁴¹ http://www.tem.fi/en/current_issues/pending_projects/strategic_programmes_and_flagship_projects/strategic_programme_for_structural_change_and_well-functioning_labour_market/labour_policy_service_structure_evaluation.

Comparatively speaking, the Finnish welfare state works well when it comes to social exclusion and poverty prevention. As a whole, AROP and material deprivation rates are low (13,2% and 2,9% vs. 17,0% and 9,9%, respectively for the EU)⁴². However, there are growing problems. The value of basic security benefits has deteriorated in relation to the 60% poverty line (see Appendix 2). Consequently, AROP rates among the unemployed have increased, social exclusion and political inactivity are higher and social trust is significantly lower among the unemployed than among the other sectors in society⁴³. It goes without saying that all these negative trends will cause serious challenges for all kinds of social investment policies, be they planned to support early childhood development, pre-primary and other education, or to combat social exclusion of vulnerable groups in society.

⁴² Bouget et al. (2015), Annex 3, B.26.

⁴³ Blomgren, J., Hiilamo, H., Kangas, O. & Niemelä, M. (2013): Gini country report: Finland. <http://gini-research.org/system/uploads/438/original/Finland.pdf?1370077250>.

Appendix

The Finnish family-related leave system

Maternity leave starts 50-30 working days before the estimated date of delivery. The mother can choose when she wants to begin her leave. The Social Insurance Institution of Finland (Kela) pays the maternity allowance for 105 days (4 months⁴⁴). In many cases the employers pay full salary for the maternity leave period. After maternity leave, **parental leave allowance**⁴⁵ is paid for 158 working days (6 months). The parental leave can be shared between the mother and father, but they cannot receive it at the same time. Parents can simultaneously take **partial parental leave** and work part-time and receive partial allowance. After parental leave, parents can take **child care leave** until the child (or youngest child) is 3 years of age. **Child home care allowance** is paid during that period. **Part-time home care allowance** is available for those parents that have part-time employment. **Flexible care allowance** can be paid to a parent caring for a child under 3 years of age and who works no more than 30 hours per week. The flexible care allowance is payable at two rates depending on the parent's total working time. 1) The amount of the allowance is €244.18 a month if the recipient works no more than 22.5 hours a week or no more than 60% of normal full-time hours and 2) €162.78 a month if the recipient works more than 22.5 hours or more than 60% but no more than 80% of normal full-time hours. The level of family income does not affect the allowance.⁴⁶

When the child is under 10 years of age and falls ill, the parents can take **temporary care leave**⁴⁷ for 4 days in a row to stay at home and care for the child. The eligibility for temporary care leave is based on the Employment Contracts Act (Ministry of Employment and the Economy). Kela pays **special care allowance** if the parent has to stay at home for a longer period to take care of a seriously ill or disabled child under 16 years of age. **Informal care support** is a municipal support for the home care of frail relatives, be they children or elderly. Municipal care support demands a contract between the municipality and the care giver. The amount of the support is linked to the intensity of the care needed. If the caregiver is unable to work due to heavy care obligations, the minimum amount is €769.33 a month, in less intensive care the minimum is €384.67 a month⁴⁸. The support is taxable income and it accrues pension rights. Since the informal care support is administered by local authorities, there are municipal variations in access to the benefit.

Home care allowance was a compromise between the left-wing and centre-to-right parties. When implementing the Child Day Care Act in 1972, the centre and conservatives insisted on cash-for-care and stressed the right to choose between 'institutional' care and home care. The politically powerful adage was: parents themselves know better than the bureaucrats what is best for their children. The left pursued the development of municipal day care by referring to equalizing effects between children coming from poor and rich backgrounds. Furthermore cash-for-care was criticised on the basis that it would lock mothers in their traditional homemaker roles⁴⁹. The 1982 Child Care Act was a compromise and it established a dual system consisting of municipal day care and home care allowance. The Finnish early day care system has preserved its dual characteristics up to now⁵⁰. The allowance is paid separately for every child eligible. The amounts are €342.53 per month for one child

⁴⁴ http://www.kela.fi/web/en/pregnancy_maternity-allowance.

⁴⁵ <http://www.kela.fi/web/en/parental-leave>.

⁴⁶ <http://www.kela.fi/web/en/flexible-care-allowance>.

⁴⁷ <http://www.kela.fi/web/en/if-child-is-sick>.

⁴⁸ <http://www.kunnat.net/fi/asiantuntijapalvelut/soster/sosiaalipalvelut/ikaantyneet/omaishoidontuki/Sivut/default.aspx#kohde1>.

⁴⁹ Hiilamo, H. and Kangas, O. (2009): 'Freedom to choose or trap for women?', *Journal of Social Policy*, 38 (3): 457-475.

⁵⁰ Hiilamo, H. (2002): *The Rise and Fall of Nordic Family Policy*. Helsinki: Stakes.

under 3 years of age; €102.55 for each additional child under 3 years, and € 65.89 for each child over 3 years but under the school-age. In addition, a care supplement of €183.31 is payable after an income-test⁵¹. In 2012 about 51% of children in the age bracket of 9 months to 2 years were cared for on home care allowance. In the age bracket 9 months to 6 years the share was 25%⁵².

A temporary care leave for 4 working days is available for care of a sick child under 10 years of age. The leave can be taken either by the mother or father. A parent who does not live in the same household with the child is also eligible for care leave. The eligibility for temporary care leave is based on the Employment Contracts Act. A **special care allowance** from Social Insurance Institution of Finland (Kela) is paid in the case of long-term illnesses or if the child under 16 years of age is disabled. Municipalities administer the **informal care support** to a relative looking after an ill or disabled child. The municipality and carer sign a mutual contract on informal care support.⁵³ The support is also available when the person in need of care is an elderly relative. There are about 350 000 carers whereof 45 000 have formal care contracts.

Municipal day care: Municipalities produce 90% of all day care by themselves. The total costs are € 2.9 billion. Municipal day care can be offered in *municipal day care centres*, *in family day care* or in *group family day care*. Day care is available on a full-time basis (for a maximum of 10 hours a day) and on a part-time basis (for a maximum of 5 hours a day). About 80% of children participate in full-time care⁵⁴. Public authorities should offer services at the hours that the family needs. The fees for using public day care depend on the family's size and income and the hours of care needed. The fee varies from €0 to a maximum of €283 a month per child⁵⁵. The fees collected from the parents cover about 14% of all the costs, the rest is from the public purse.

Private day care allowance includes a *fixed care allowance* (€174.38 a month per child) and a *care supplement*, which depends on the family's income. The maximum monthly amount of the supplement is € 146.64 per child. Some local authorities pay municipal-specific extra compensations to the families using private care providers instead of relying on public day care.⁵⁶

Table A1. The share (%) of children enrolled in day care in Finland, 2000-2013.

Year	Age of the child						
	<1 year	1 year	2 years	3 years	4 years	5 years	6 years
2000	1,6	28,0	42,7	60,5	67,1	71,6	66,8
2005	1,3	28,2	46,3	63,0	69,5	73,0	66,8
2010	1,0	29,7	51,3	67,9	73,9	78,1	70,5
2013	0,8	28,7	52,1	68,2	73,9	78,4	70,8

Source: THL (2014): Lasten päivähoido 2013 - Barndagvård 2013.

https://www.julkari.fi/bitstream/handle/10024/125389/Tr33_14.pdf?sequence=2, p. 5.

Cash and care for families

Maternity and child health clinics: Child health clinics assess the physical, mental and social condition of children under school age, provide vaccinations and support parents in providing secure, child-focused rearing, whilst also helping them take care

⁵¹ http://www.kela.fi/web/en/child-home-care-allowance_amount.

⁵² <https://helda.helsinki.fi/bitstream/handle/10138/45390/Tyopapereita58.pdf?sequence=1>, p.22.

⁵³ <http://www.kela.fi/web/en/if-child-is-sick>.

⁵⁴ *Lasten päivähoido / Barndagvård 2012*. Helsinki: THL, p. 3.

⁵⁵ <http://www.minedu.fi/OPM/Koulutus/varhaiskasvatus/paivahoitomaksut/?lang=fi>.

⁵⁶ <http://www.kela.fi/web/en/families>; http://www.kela.fi/web/en/after-parental-leave_private-day-care-allowance.

of their relationships. The clinics also promote healthy growing environments for children and healthy family lifestyles. The clinics carry out multi-professional collaboration with other professionals working with young families. During the first year after the birth, the nurse meets the child every month and an examination by a medical doctor takes place when the child is 4-6 weeks, 4 months and 8 months. Thereafter, a nurse meets the child every year. At the age of 4 the child again goes through an extensive examination by a medical doctor.⁵⁷

Maternity package: The package contains children's clothes and other necessary items, such as bedding, cloth nappies, gauze towels and childcare products⁵⁸. There is an incentive to participate in prenatal health screening attached to the maternity package: In order to receive the package the mother must have undergone a medical examination.

School and student health care: School and student healthcare takes over when the child starts his or her school at the age of 7⁵⁹. Each municipality is responsible for organizing healthcare for the pupils. Health controls are carried out each year and for the 1st, 5th, and 8th class medical examinations are more extensive.

School meal: In 1948 free and universal school meals for primary schools were introduced, and in 1972-1977 it was extended to colleges and vocational schools. At present about 830,000 pupils and students are entitled to free school lunch. Since 1979 the state has subsidised student meals to enhance healthy eating habits among the students.

Child allowance: The main child-related cash transfer is the universal child allowance payable to every child below 16 years of age. The total sum of allowances paid sums up to €1.5 billion. The benefit paid to the family depends on the number of children (in 2014 the rate for the 1st child was €95.75 a month, for the 2nd child €105.80, for the 3rd €135.01, for the 4th €154.67 and thereafter €174.27 for each additional child). Single parents will get €48.55 extra for each child.⁶⁰

Other transfers for families: Child allowance is the biggest single social transfer headed to families with children. The total amount of allowances adds up to €1.5 billion. The next biggest spending items are **maternity and paternity allowance** (€1.0 billion), child care support schemes, i.e., **home care allowance and support for private care** (€0.5 billion) and **housing allowance** for child families (€0.3 billion).

⁵⁷ Hakulinen-Viitanen T, Hietanen-Peltola M, Hastrup A, Wallin M & Pelkonen M. (2012): [Laaja terveystarkastus - Ohjeistus äitiys- ja lastenneuvolatoimintaan sekä kouluterveydenhuoltoon \(pdf 895,9 kt\)](#). Opas 22/2012. Terveysten ja hyvinvoinnin laitos. Tampere.

Sosiaali- ja terveysministeriö (2009) [Asetus neuvolatoiminnasta, koulu- ja opiskeluterveydenhuollosta sekä lasten ja nuorten ehkäisevästä suun terveydenhuollosta. Asetuksen perustelumuistio \(pdf, 794 kt\)](#). Sosiaali- ja terveysministeriön julkaisuja 2009:20. Helsinki.

⁵⁸ <http://www.kela.fi/web/en/maternitypackage>.

⁵⁹ http://www.stm.fi/sv/social_och_halsotjanster/halsotjanster/primarvard/skolhalsovard.

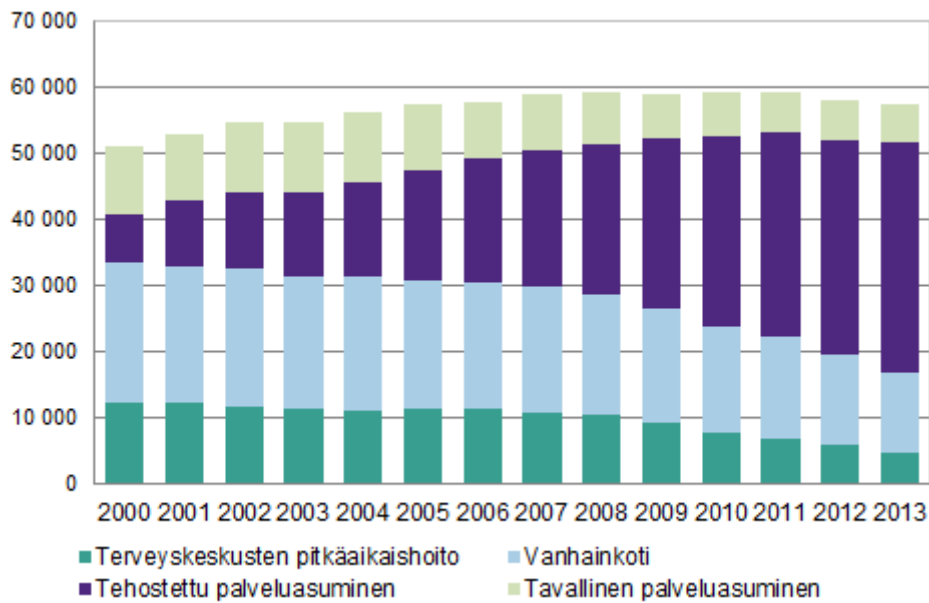
⁶⁰ http://www.kela.fi/documents/10180/1677517/Pocket_Statistics_2014.pdf/0a82c9eb-1722-43ce-8c62-4fe6fdfcf5ba.

Table A2. Relation of minimum social benefits to 60% poverty line in Finland 1994-2012.⁶¹

Year	BUNE	NP/GP	HCALL	SMDA	SOCA	STUA	CHIA
1995	58,0%	69,2%	77,0%	47,5%	55,4%	69,2%	45,0%
2000	50,3%	61,0%	48,1%	30,4%	47,6%	55,0%	36,6%
2005	44,8%	55,0%	41,7%	34,8%	41,3%	47,0%	31,0%
2010	42,0%	53,3%	37,3%	42,0%	38,1%	45,6%	27,7%
2011	40,9%	59,2%	36,3%	40,8%	37,0%	44,1%	26,9%
2012	48,7%	61,4%	37,6%	42,2%	39,7%	43,0%	27,2%

BUNE = Basic unemployment daily allowance; **NP/GP** = National pension / guarantee pension (2011-); **HCALL** = Home care allowance; **SMDA** = Sickness minimum daily allowance; **SOCA** = Social assistance; **STUA** = Study allowance; **CHIA** = Child allowance.

Figure A1. The development of care given in hospitals, old people’s homes, intensive sheltered homes and regular sheltered homes



Legend (from below): long-term care in health centres; old peoples’ home; intensive sheltered homes and sheltered homes.

⁶¹ Honkanen, P. (2015): ‘Perusturvan kehityssuuntia 2000-luvulla’, in Taimio, Heikki (ed.): Hyvinvointivaltio 2010-luvulla – Mitä kello on lyönyt?. Helsinki: JHL, pp. 189-218.

