



Finland

Minimum Income Schemes

A Study of National Policies

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1. Executive Summary

In the Finnish system, social assistance is the last resort form of income security. Municipalities pay means-tested social assistance when the income and resources of an individual or family are insufficient to cover daily expenses. The municipality and the state share the costs of basic social assistance equally. Social assistance is paid to households a-top other benefits and economic transfers, which is why we shed the light also to its interconnection to other forms of social allowances. The most recent statistics are from 2007, when social assistance was paid on average to 104,000 households per month. The number of households and persons receiving social assistance was in decline since the mid-1990s.

The Finnish social policy, income transfers included, has gone through a structural change since the early 1990s when Finland went through a major recession. Following the western European trend, the emphasis has shifted increasingly from universal to means-tested measures, underlining individual responsibility. The steady economic growth that started in 1994 has benefited majority of Finns. The benefits have been highest for those with considerable capital incomes, but also the salaries have developed positively. Nonetheless, the income inequality has also grown substantially due to developments in both ends of the scale. The position of low-income households has weakened both relatively and absolutely after the early 1990s. First due to social security cuts, and later because of modest development of income transfers as compared to the labour incomes. Consequently, the level of benefits worsened gradually over time. This raises concerns about their adequacy. Another problem is the limited take-up of social assistance, due to bureaucracy. Consequently, this benefit does not reach the poorest households very well. Nonetheless, social assistance benefit does alleviate poverty quite effectively.

The active employment policy and social policy have further integrated in Finland during the past 10 years. Promotion of labour market integration of MI recipients as well as other unemployed people is supported by various employment and training programmes, some of which include elements of personal service.

2. Panorama of minimum income schemes in Finland

2.1 Overview of the Finnish social protection system including social assistance as a minimum income scheme

The overview will concentrate on social assistance as a minimum income resort in Finland and its interconnection to other social allowance forms. The brief panorama we will also introduce the Finnish social protection system in general. Please note: the information is summed up in table included in Appendix 3.

According to the Constitution of Finland

- all those who cannot obtain the means necessary for a life of dignity have the right to receive indispensable subsistence and care;
- everyone shall be guaranteed the right to basic income security in the event of unemployment, illness or disability and during old age as well as at the birth of a child or the loss of a family provider;
- the public authorities shall guarantee adequate social and health services and promote the health of the population;
- the public authorities shall support families and others responsible for taking care of children so as to enable them to ensure the wellbeing and personal development of the children;
- the public authorities shall promote the right to housing and the opportunity of people to arrange their own housing.

Components of Finnish social protection

Social protection consists of residence-based and employment-based benefits. All people resident in Finland on a permanent basis are entitled to social and health services. Furthermore, they are entitled to pensions, health insurance, and parental and family benefits. Housing is supported, too. The Social Insurance Institution (KELA) administers and pays benefits covered by the social protection system. Finns in employment are entitled to unemployment benefits and earnings-related pensions. They are also insured against employment accidents and occupational diseases. The national pension guarantees the income for the pensioners who do not receive any other pension. The last resort type of security is social assistance, the payment of which is the responsibility of the local authorities.¹

The general social assistance in Finland is called living allowance (toimeentulotuki). In addition there is a 'preventive' allowance (ehkäisevä toimeentulotuki), which includes grants to avoid long-term dependency, such as for families in crisis and for training and rehabilitation, etc. It is a form of benefit that is intended to meet one-off or urgent payments. The payment is at the direction of local officials at the welfare agency. Finland has a system of supplementary allowances payable

¹ Towards a social protection reform: creating opportunities. Social protection reform - SATA. Helsinki 2008. 7pp. Ministry of Social Affairs and Health's brochures 2008:3eng.

in addition to regular social assistance. Supplementary assistance includes exceptional medical costs, as well as funeral costs, and other necessary expenses.

The Finnish labour market support (työmarkkinatuki) and child home-care allowance (kotihoidontuki) have elements of means-testing, but are not particularly intended to combat poverty, and their character is not one of last-resort benefits. People receiving these benefits are also eligible for a living allowance and typically they receive it as an additional benefit. There are three different housing allowance schemes, including separate benefits for pensioners and students. General Housing Allowance (yleinen asumistuki) is available to other low-income households with limited means. The general housing cost is 80 per cent of the difference between the rent and so-called 'deductible amount'. The deductible amount is determined by the family type and the geographical location and increases approximately linearly with gross income. The top limits of the rent depend on the size of the dwelling, the number of inhabitants and the construction year of the dwelling.²

Income security as a feature of social security

A central feature of welfare and social security is to provide support to people in vulnerable situations. One of the aims of the Finnish social security system is to ensure that people have sufficient basic security in all eventualities in life. The Finnish social security system is made up of income security, providing financial support, and social and health services. The aim of statutory social insurance in Finland is to safeguard people's income in a range of eventualities: having children, old age, work incapacity, sickness, unemployment and in the event of financial loss due to the death of the family provider. Social insurance income security includes health insurance, unemployment insurance, accident insurance and pension insurance.

Social insurance benefits in Finland fall into two categories: earnings related benefits and minimum benefits. Social assistance is a last resort benefit for individuals and families who have no other means of income.

Support and benefits

The Finnish social protection system includes various forms of financial support and benefits designed to ensure that everyone has an equal opportunity to take part in working life and society in general:

- **Children and parenthood**

Maternity, paternity and parental allowances make up for loss of earnings due to having and raising children. Subsequently, parents can opt to take the home care allowance or the private care allowance as an alternative to using municipal day care services. A special care allowance, or basic-rate care allowance, is paid to parents caring for a sick or disabled child.

² Kuivalainen, Susan 2004. A Comparative Study on Last Resort Social Assistance Schemes in Six European Countries. Stakes Research Report 146. Helsinki.

Mothers of newborn infants receive a maternity grant. Child benefit is paid for children until they are 17. Maintenance allowance is paid for children when one of their parents cannot or fails to pay child maintenance.

- **Military service**

Conscripts allowance is paid to those in military service or alternative civil service. The aim is to compensate for loss of earnings incurred by the period of service. It can take the form of housing allowance, the payment of interest on student loans, a basic allowance for dependents, housing allowance and special allowance for dependents, maintenance for the beneficiaries' children.

There are also various special benefits paid for disabled war veterans and frontline veterans of the 1939-1945 wars.

- **Housing**

Households on small incomes can receive housing allowance, or housing allowance for pension recipients for rented, right of occupancy or owner-occupancy accommodation. Housing allowance is also available as a supplement to financial aid to students or the conscripts' allowance.

- **Unemployment**

The benefits for unemployed job seekers comprise the basic daily allowance and labour market subsidy. The former is paid as a flat rate daily allowance or an earnings related daily allowance. The labour market subsidy is paid to unemployed job seekers who do not meet the employment condition or who have received the basic allowance for the maximum period. People born before 1950 who are long-term unemployed are entitled to unemployment pensions, paid on the basis of the earnings related pension and national pension.

- **Sickness and rehabilitation**

All people living in Finland are included within the scope of health insurance. This is paid as sickness benefit, reimbursements for medicines, travel expenses when receiving treatment, private health care costs, private dental care costs, reimbursements for examinations and treatment prescribed by physicians.

Disability allowance is paid to people with long-term illnesses or disability to enable them to manage with day-to-day living, take part in employment or to study. People undergoing rehabilitation can receive rehabilitation allowance either from a pension insurance institution or the Social Insurance Institution. Treatment costs and loss of earnings due to accidents at work or occupational diseases are paid to employees and farmers in the form of a daily allowance, disability pension, handicap benefit, funeral grant and survivors' pension.

- **Pensions**

People in Finland are guaranteed the statutory occupational earnings-related pension, or the national pension in case of absence of an occupational pension or if it is minimal. The old age pension consists of occupational pension and national pension benefit. The disability pension compensates loss of earnings due to long-term work incapacity. The unemployment pension enables older long-term unemployed people to retire.

- **Frontline veterans**
Frontline veterans are entitled to supplementary benefits for rehabilitation and dental care.
- **Special groups**
There are arrangements in Finland for social security, in the form of pension security, accident insurance etc for special professional groups: sportspeople, self-employed, farmers, grant recipients.
- **Social assistance**
Social assistance is a last resort form of income security. Municipalities pay means-tested social assistance when the income and resources of an individual or family are insufficient to cover daily expenses.

There are three forms of social assistance:
 - basic social assistance (so-called living allowance) to cover general expenses;
 - supplementary social assistance, to cover extra expenses, such as day care costs; and
 - preventive social assistance.
- **Social lending**
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 problem.³

Social assistance in Finland

Social assistance is meant to be a short-term financial aid in order to assure subsistence when a person cannot live on his/her own earnings, entrepreneurial or other income or property. Social assistance is applied by a written application. Because everyone is responsible to earn his living to the best of his abilities, all other possible benefits or sources of income are considered before social assistance is granted. Social workers or social care workers assist in finding a solution for income problems and provide unemployed client assistance in job-seeking.

Aims set for social assistance

According to the Finnish Social Assistance Act (Laki toimeentulotuesta 1412/1997), social assistance is meant to be a last resort benefit and the aim is to guarantee income for individuals and families and promote their self-reliance (1§). However, according to a guide given by the Ministry of Social Affairs and Health (Sosiaali- ja terveysministeriö 1998, 2001 and 2003), everyone has a responsibility to support oneself and their families according to their capacities, and the purpose of the Living Allowance is to promote these capacities. Furthermore the aim of social assistance is to create possibilities to participate in the society. The aim is thus not only to guarantee a minimum level of subsistence, but rather to guarantee a reasonable level of income,

³ Ministry of Social Affairs and Health Internet: http://www.stm.fi/en/income_security

enabling a life according to human dignity. The aim of the special preventive assistance is to promote a person's and his/her family's self-reliance and security.

The amendments of April 2001 (Laki ehkäisevästä toimeentulosta 923/2000) have put more emphasis on preventive assistance; it further aims to prevent social exclusion and long-term dependency (13§). The law of 1998 did not change the aims of social assistance, yet that the aim of reform was to stop the growth of the number of recipients, to reduce public expenditure and to promote the integration of the recipients in the labour market.⁴

2.2 Eligibility conditions for social assistance

Nationality and residence requirements

In Finland social assistance is granted irrespective of nationality. Asylum seekers and refugees are entitled to social assistance. However, during their stay at the refugee centre, refugees and asylum seekers receive a reduced rate of social assistance allowance (Valtioneuvoston päätös pakolaisten ja turvapaikanhakijoiden vastaanotosta 1607/1998).

Finland has, during the past decade, moved towards the scheme where asylum seekers are separately covered during the period where refugee or asylum status is being considered and/or during the first years of their residence. The economic vulnerability of these groups is significantly higher in comparison with other groups - in most cases the level of education is lower, the labour market status is weaker and rarely they pose a right to insurance-based social protection. Therefore the central government provides extra funds for the local governments to meet the expenses of help for refugees during the first three years of their residence in the country.

Minimum age thresholds

There are no conditions in relation to minimum age. Usually students are not entitled to social assistance because of the availability of student loans and allowances, and more importantly because of the parental obligation. Although the parents' legal obligation to support their children ends at the age of 18, parents' possibilities to support their children in education is taken into consideration until their children reach the age of 21. The lower benefits level is meant to entice young people to find an active role in society. Extra conditions have been imposed on the recipients of unemployment assistance under the age of 25. In 1996 and 1997 labour market support for young people under 25 years was made conditional on participation in activation measures.

Duration

Duration of social assistance is unlimited meaning that people have a right to it as long as they meet other conditions of eligibility.

⁴ Kuivalainen, Susan 2004. A Comparative Study on Last Resort Social Assistance Schemes in Six European Countries. Stakes Research Report 146. Helsinki.

2.3 Conditions of entitlement for social assistance

Means-testing is an administrative and technical way of targeting benefits to low-income families. The entitlement rules establish the amount of support.

Benefit levels

According to the Act on Social Assistance (1412/1997) the basis of the assistance is tied to the development of the national pension index (§9). Standard rates are set nationally every year for the municipalities to follow. All the municipalities follow the same rates. The standards of the needs covered with the assistance are described in a detailed manner. They consist of basic daily living expenses in the standard rates – necessary basic needs that if not satisfied will cause serious harm.

Housing costs are separately taken into account in social assistance. Social assistance recipients have 7 per cent self-liability for housing costs. Extra allowances are granted for other additional needs, such as travel costs to work and health care, based on actual costs.

Benefit and resource unit

Benefit unit is the claimant, spouse and dependent children. Regarding the resource unit the entitlement is individual, but actual resource unit is larger. The right to social assistance is not individual; instead it is subsidiary and dependent on the possibilities to receive support from family members. The right to social assistance exists only if the total income of all members of the resource unit are insufficient and under the defined minimum level. Insufficient income is assessed with income and assets testing. In general, right to support emerges when the family's resources are less than the expenditure taken into consideration. With resource testing it is sought to ensure that benefits are paid to the poorest groups of the population.

Assets-testing is relatively strict in Finland (compared to other European countries). All capital and assets are taken into account except the home property, personal belongings and equipment required for work. Small cash amounts can be disregarded. According to the Finnish law, some earnings can be disregarded if in doing so the family is more likely to become self-supporting. 20 per cent of earnings are disregarded up to 150 € per month per household. Income related to training and rehabilitation is not been taken into account in order to foster clients' self-supportiveness.

Some social security benefits are not calculated as income, such as maternity benefit. Since the beginning of 1994 child allowance has been counted in full, but at the same time the personal rate for children was taken into practice. Those benefits that are disregarded are payable for specific purposes and those vital needs are not covered in general assistance.

Conditions relating to work availability

In principle, the entitlement to social assistance is no longer unconditional: the able-bodied working-age recipients are requested to fulfil conditions relating to work in order to gain entitlement to benefit. In Finland the recipients of social assistance have been obligated to

register with the unemployment office or to look actively for work since 2001 (relatively late in comparison to other European countries). Also workfare programmes were introduced in 2001 (Act on rehabilitative working activity, Laki kuntouttavasta työtoiminnasta 189/2001). The municipalities are responsible for providing activation measures.⁵ (On the range on activation measures, see Chapter 4.)

Grounds for granting social assistance 2009

The amount is calculated by adding up the applicant's or family's available income and property and subtracting from this sum the expenses for food and other daily living (called 'basic amounts') and other expenses counted for the assistance. If the income is smaller than the eligible expenses, the applicant has the right to receive social assistance. The amount of basic social assistance depends on the size of the family and ages of the dependent children.⁶ On the basic amounts, see Figure 1 (next page).

The basic amount of social assistance covers:

- Food expenses;
- Clothing (purchase, washing and care);
- Barber's and hairdresser's charges;
- Personal hygiene;
- Non-prescribed medicines and small costs for medical supplies, medicines prescribed for something else than illness;
- Public transportation for example in the Helsinki area;
- TV-licence, newspaper subscription, telephone bill;
- Small costs for hobby and leisure;
- Internet costs.

Besides the basic amount, social assistance can be granted for following basic expenses:

Reasonable housing costs (rent, separate charges for water, heating, maintenance and interest paid on housing loans).

- Reasonable costs for electricity, gas and home insurance.
- Accepted fees for public health care and medicines prescribed by a public health care physician.
- If glasses are necessary, they can be obtained with a commitment to pay in a shop with which a corresponding agreement exists.
- Child day care fees after presenting receipts of payment.
- Necessary moving expenses.

⁵ Kuivalainen, Susan 2004. A Comparative Study on Last Resort Social Assistance Schemes in Six European Countries. Stakes Research Report 146. Helsinki.

⁶ City of Helsinki Social services department 2009. Grounds for granting social assistance.

- Burial expenses through undertakers on agreement with the Social Services Department.
- Necessary costs for travels to and from work, and other expenses incurred through holding a job.

Table 1. Basic amounts of social assistance 1.1.2009

	Full basic	Basic amount reduced by	
	€/month	20 % €/month	40 % €/month
Single persons or single parents	417,45	333,96	250,47
Persons aged 18 or over	354,83	283,86	212,9
Persons aged 18 living with their parents	304,74	243,79	182,84
10-17 years			
1st child	292,22		
2nd child	271,34		
3rd and following children	250,47		
0-9 years			
1st child	262,99		
2nd child	242,12		
3rd and following children	221,25		

Supplementary or preventive social assistance may be granted at special discretion for expenses due to exceptional circumstances. Special assistance can be needed in difficulties caused by long-term low income, unemployment or illness. Also participation in active employment measures, rehabilitation etc. is [often] supported by social assistance at special discretion.

Reduced basic amount

If an applicant of social assistance has refused an offered job or other labour policy measure without justified reason, the basic amount may be reduced by 20%. If the applicant turns down jobs and labour market measures repeatedly, the basic amount may be reduced by a total of 40%. The reduced basic amount is valid for a maximum period of two months at a time. If the basic amount is reduced, the social worker and the client always make up a plan together, on how the client could improve his/her employment and maintenance possibilities.

Income and property effects on social assistance grants

All available net income of the applicant and his or her family members and property which is not necessary for continuous maintenance providing are taken into consideration. For example, an owned dwelling, furniture and working equipment are necessary, whereas savings, bonds and a car may be counted as capital gains with which the applicant can provide his or her living. To

encourage clients to take up any work, at the minimum 20 % and maximum 150 euros of the family's earned income is not taken into consideration when granting the social assistance. Salary, entrepreneurial income and support for informal care are examples of earned income.⁷

For an example of social assistance calculation, see Appendix 1.

Recovery of social assistance paid

The full amount of social assistance or part of it may be collected back for example in the following cases:

- If social assistance has been paid in advance, while waiting for a decision on some other benefit (e.g. pension, unemployment benefit, maintenance payment or allowance, housing allowance, study grant, financial aid, etc.).
- The recipient of social assistance has such income, capital gains, property, or is entitled to maintenance providing benefits not at his or her disposal at the time when the decision on social assistance is made.
- The recipient of social assistance neglects responsibility for own or his or her family's maintenance.

The application for social assistance is filed at the local social services office. Swedish language office provides services to those who speak Swedish as a mother language. Services in other languages exist also especially in larger cities which have immigrant population. There is also an office for homeless persons. Social assistance is applied by a written application.

Handling the application usually takes 1-2 weeks (seven working days). The final resolution on social benefit, along with documents enclosed to the application, is sent to the client by post. The amount of social assistance granted is paid to the client's bank account. Practically everyone in Finland has a bank account. Rent calculated as part of the social assistance is mostly paid directly to the landlord's bank account.

2.4 Governance of social assistance in Finland

The Act on Social Assistance (1412/1997) has been in force since 1998. In order to improve the effectiveness of the social assistance system the Act has been amended several times since its entry into force; to increase the use of preventive social assistance in municipalities, shortening client waiting lists and intensifying the use of means testing when granting assistance. The structure and financing of social assistance were revised at the beginning of 2006. Basic social assistance was transferred from general central government to municipal social welfare and health care.

The municipality and the state share the costs of basic social assistance equally. The amendment did not affect the criteria for granting social assistance, nor the amount of assistance received by a client, even though it was hoped to make the granting procedures more uniform.⁸

⁷ City of Helsinki Social services department 2009. Grounds for granting social assistance.

The Government of Finland has undertaken to reform the social protection system in 2009 including also measures concerning social assistance. The reform is being prepared by the so-called SATA committee (see, Chapter 3). In its work the Committee will examine possibilities to transfer the handling of the calculated part of social assistance to the Social Insurance Institution (KELA).⁹

2.5 Overview on expenditure on social protection and recipients of social assistance in Finland

The total expenditure on social protection was EUR 45.3 billion in 2007 (preliminary data).¹⁰

Social assistance	0.9%
Municipal health care services	17%
Earnings-related pensions	35.3%
National pension	6.2%
Military accident, employment accident and motor insurance	2.2%
Health insurance	6.9%
Municipal social services	14.8%
Child allowance	3.1%
Housing allowance	1.0%
Unemployment benefits	5.9%
Others	6.7%

Recipients of social assistance in 2007

The available statistics cover the information until 2007. Then, social assistance was granted to 217,842 households and 342,492 individuals. Compared with 2006, a decrease of some 4 per cent took place in the number of both recipient households (3.9%) and individuals (4.4%). Altogether, 6.5 per cent of the Finnish population received social assistance.

Social assistance consists of primary social assistance, preventive social assistance and assistance paid to persons participating in the rehabilitative work experience programme. Since 2006, primary social assistance has consisted of a basic amount and a supplementary benefit.

In 2007, altogether 213,562 households received primary social assistance, of which 202,183 received the basic amount and 84,931 the supplementary benefit. Preventive social assistance was granted to 19,603 households. Within the programme of rehabilitative work experience, a premium grant or a travel allowance or both were granted to 5648 households. Compared with

⁸ Kuivalainen, Susan 2004. A Comparative Study on Last Resort Social Assistance Schemes in Six European Countries. Stakes Research Report 146. Helsinki.

⁹ Social protection reform: The work of the SATA Committee. Ministry of Social Affairs and Health. http://www.stm.fi/en/publications/publication/_julkaisu/1057207#en

¹⁰ Towards a social protection reform: creating opportunities. Social protection reform - SATA. Helsinki 2008. 7pp. Ministry of Social Affairs and Health's brochures 2008:3eng.

the previous year, the number of households that were paid rehabilitative work benefits increased by approximately one fourth.

Among all recipients of social assistance, the number of recipients increased only among 60–64 years old as compared to the previous year. However, this age group accounts only for 2.9 per cent of all recipients of social assistance. In the other age groups, the number of recipients decreased. Positively, it decreased the most among the 20–24 years old, by approximately 10 per cent. An analysis of adult recipients (by ten-year age groups) shows that there were most receivers among the age group 20–29 years old (21.4%) in both absolute and relative terms.

The statistics show that 70.7 per cent of the households receiving social assistance were single-person households. In turn, an analysis by type of household shows that the decrease in the number of two-parent families with children was above average. Social assistance was paid to 23.3 per cent of all single parent households in the country. This proportion has followed a decreasing trend since 2002. Calculated by the socioeconomic status of persons applying for social assistance, about one in three households are blue-collar households. The number of households receiving social assistance increased only among pensioners (3.6%).¹¹

In 2007, households were receiving the basic amount of social assistance for an average of 5.8 months, the supplementary benefit for 2.6 months, preventive social assistance for 1.7 months and rehabilitative work benefits for 4.5 months. On average, recipient households totalled 104,117 per month. The number was highest in June and lowest in December.

Households receiving assistance for a short period of time, i.e. for a maximum of three months, accounted for 41 per cent of all recipient households. Although the overall number of recipient households decreased, the number of households receiving assistance on a long-term basis showed a marked increase (3%) on the previous year. Households receiving primary social assistance on a long-term basis accounted for a larger proportion in urban municipalities (28.7%) than in rural municipalities (17.9 %).

Cross-sectional data on sources of income and principal economic activity are collected for November from all municipalities that use software applications in the data collection. The most frequent income sources for November were housing allowance and basic unemployment security benefits (labour market support/basic unemployment allowance). Of the households receiving assistance in November, two in three had housing allowance, about 40 per cent labour market support/basic unemployment allowance, less than 20 per cent family allowance and 15 per cent pension among their sources of income. A total of 8.2 per cent of the working-age population aged 15–74 in households receiving social assistance in November were in employment, compared with 62.6 per cent for the total working-age population (according to Labour Statistics). The rate of unemployment among the working-age population (percentage of the unemployed in work force) in the whole country was 6.8 per cent, compared with 86.4 per cent among social assistance recipients. Recipients of disability pension and chronically ill people accounted for 12.4 per cent of all recipients of social assistance, which was one percentage point up on the previous year.¹²

¹¹ Toimeentulotuki 2007 - Utkomststöd 2007 - Social Assistance 2007. Statistical Summary 37/2008. Official Statistics of Finland. Social Protection 2008. STAKES.

¹² Toimeentulotuki 2007 - Utkomststöd 2007 - Social Assistance 2007. Statistical Summary 37/2008. Official Statistics of Finland. Social Protection 2008. STAKES.

Expenditure on social assistance

The number of households and persons receiving social assistance has been in decline since the mid-1990s when the employment started to recover after major recession in Finland in the early 1990s (Figure 1). The overall economic development, changes in the social policy, and how this fits in, are discussed in Chapter 3.

Figure 1. Households and persons receiving social assistance 1990-2007

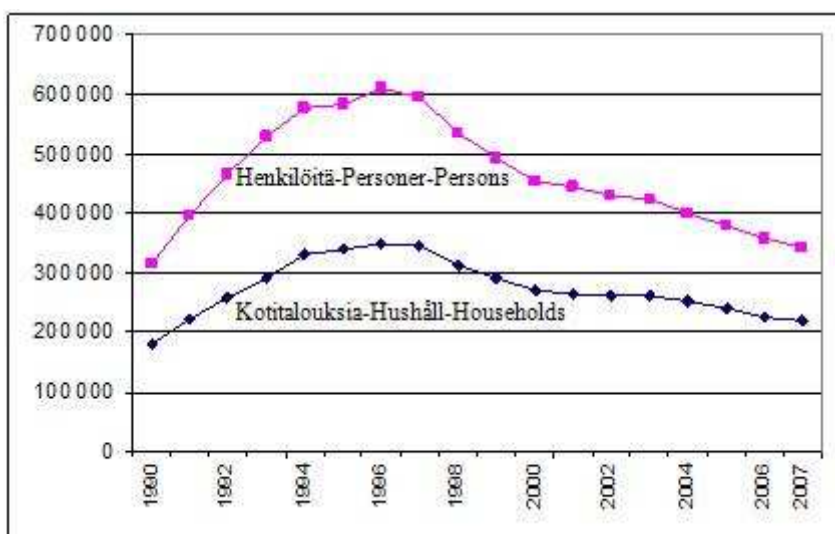
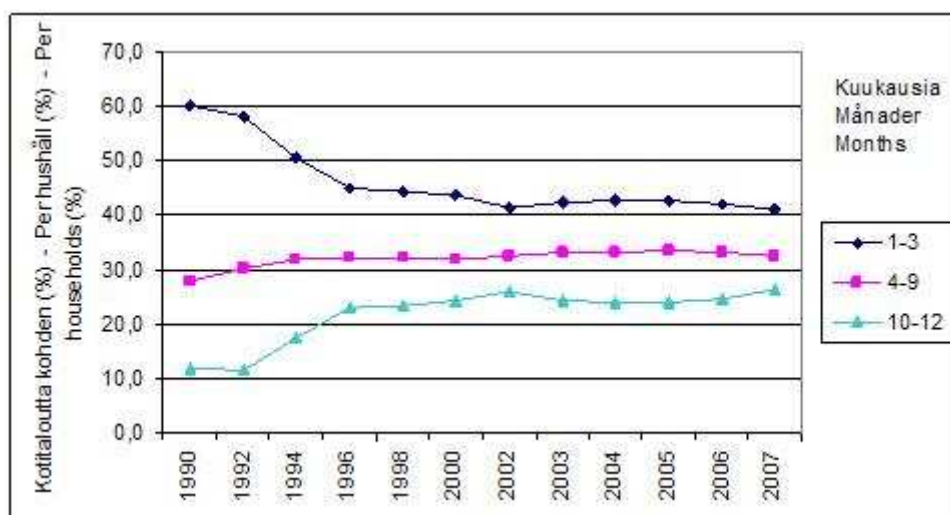


Figure 2. Households according to duration of primary social assistance, percentage 1990–2007



By contrast to decreasing number of receivers, gross expenditure on social assistance, annual fluctuations notwithstanding, has remained largely unchanged throughout the 2000s. In 2007, gross expenditure on social assistance amounted to 476.1 million euros. This was 7 per cent up on the previous year. Data on gross expenditure have been derived from Preliminary Statistics on Social Assistance, which provide summed-up municipal data. At the turn of the years 2005/2006, changes took place in the procedures for collecting data on gross expenditure on social

assistance (cf. Quality Report on Social Assistance). As a result, it is difficult to make accurate comparisons with statistics collected before 2006.

An average of 2156 euros was paid in primary social assistance per household during the year. On average, primary social assistance per month totalled 373 euros per household and 238 euros per individual. An average of 463 euros was paid in preventive social assistance per household during the year. In relation to the 2007 price level, average primary social assistance paid to households increased 10.2 per cent and preventive social assistance 4.6 per cent on the previous year. Within the programme of rehabilitative work experience, households received on average 345 euros in premium grants and 268 euros in travel allowance during the year.¹³ (For an example of calculation of social assistance, see Appendix 1.)

¹³ Toimeentulotuki 2007 - Utkomstöd 2007 - Social Assistance 2007. Statistical Summary 37/2008. Official Statistics of Finland. Social Protection 2008. STAKES.

3. Assessment of coverage, take-up, adequacy and effectiveness of the minimum income schemes

3.1 Overview on developments since 1991

The Finnish social policy, income transfers included, has gone through a structural change since the early 1990s. Following the western European trend, the emphasis has shifted increasingly from universal to means-tested measures, underlining individual responsibility.

Most dramatic changes took place under and after a major economic recession 1991-93, which was a shock for Finland after the economic boom of the late 1980s. The Finnish GDP dropped more than 10 % (1991-93) and the former practical full employment was replaced with major unemployment. The unemployment rate rose from 3 % in 1990 up to 17 % in 1994. The main reason for the recession was decreased competitiveness of the Finnish economy and consequently low profitability of Finnish companies. The government, employers' associations and trade unions tried to enhance the profitability by cutting employees' real wages in 1992 and 1993. Meanwhile the Finnish currency *markka* devaluated against major currencies (USD and German mark), which favoured export industries, and finally set the economy back in the growth track in 1994. The industries did, however, go through a rapid economic restructuring (towards high-tech, increased specialization and skilled work, and also services) and whereas the level of production met the level prior to recession again in 1996, the same level of employment was reached only in 2007.¹⁴ The Figure 1 (previous chapter) on the development of number of social assistance receivers reflects this slow recovery of employment.

The steady economic growth that started in 1994 has benefited majority of Finns. The salaries of those employed with permanent contracts have developed positively. In most professions, real incomes have improved. For instance, between 2000 and 2008, the average level of *labour incomes* raised 36 per cent.¹⁵ Labour income taxes that were raised during the recession (to finance increased public spending) have been cut several times since 1996, which have further increased the purchasing power.

Nonetheless, the fruits of prosperity have not been distributed equally. Since mid-1990s, the income inequality has risen considerably, mainly due to the developments in both ends of the income scale.¹⁶

Although the great majority has benefitted, the growth of incomes has concentrated to top brackets, especially as the capital incomes are concerned.¹⁷ The Finnish dual income tax reform¹⁸, which took place in 1993, separated the labour and capital income tax bases. The reform implied that labour income continued to be taxed on a progressive scale, whereas capital income was subject to a flat tax rate from 1993 on. Importantly, for individuals with high capital

¹⁴ Kiander, J. (2007) Kannustaminen hyvinvointivaltiossa ja tuloerojen kehitys (Incentives in the welfare state and development of income inequalities), in: Saari, J. and Yeung, A-B. (eds.) Oikeudenmukaisuus hyvinvointivaltiossa, pp. 155-180. Helsinki: Gaudeamus.

¹⁵ Statistics Finland database (PX-Web –tietokannat: Ansiotasoindeksi 2000), checked January 23rd 2009.

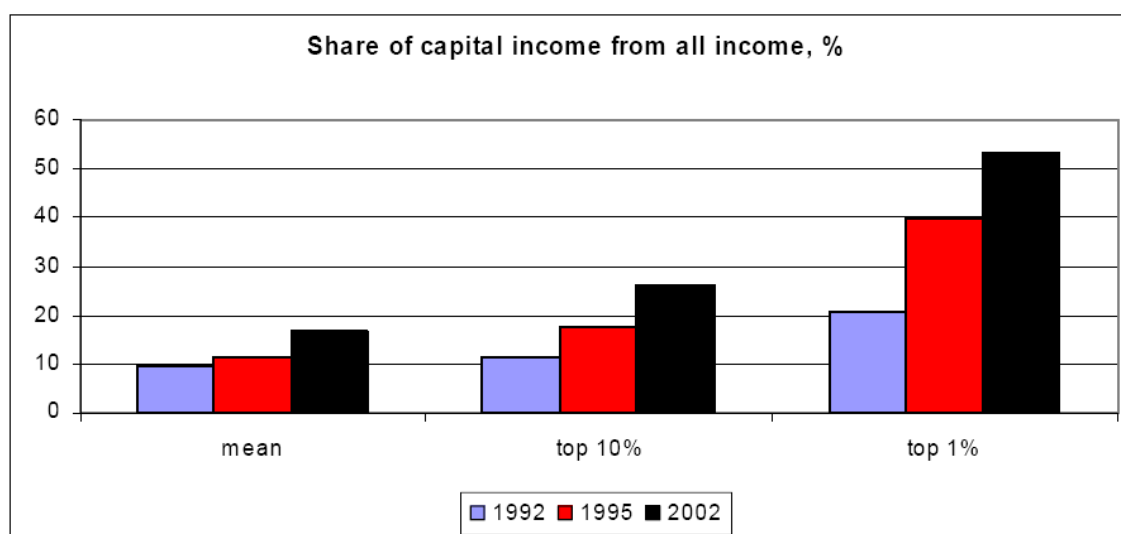
¹⁶ Kiander (2007).

¹⁷ Törmälehto, Veli-Matti (2005) Rikkaat rikastuivat – entä köyhät? (The rich got richer – how about the poor?), Hyvinvointikatsaus 1/2005.

¹⁸ The dual tax reform followed the example of other Nordic countries where similar reforms had taken place after 1987. It was also argued to be necessary in the framework of international tax competition.

income, the reform brought a considerable reduction in the marginal tax rate for capital income and created an incentive to shift labour income into the more leniently taxed capital income. Indeed, the relative share of capital income has grown significantly among the best-off Finns (see Figure 3). Consequently, their overall tax rates have decreased, and the taxation have had less an equalizing effect on incomes than before.

Figure 3: Share of capital income from all factor income in Finland by income groups, 1992-2002. Source: Riihelä, M., R. Sullström and M. Tuomala (2005) Trends in top income shares in Finland, Government Institute for Economic Research, Discussion Paper 371.



On the lower end of the scale, the position of low-income households has weakened both relatively and absolutely after the early 1990s. First due to social security cuts, and later because of modest development of income transfers as compared to the labour incomes. Scholars of social policy even speak about a new regime since the recession, which they have called 'risk politics', based on 'distributing scarcity'.¹⁹ This is contrasted against raising income transfers and increasing universal social services that were the keystone tactics of 'welfare policy' during the 1970s and 1980s.

The economic crisis and rapidly developed unemployment led soon to crisis in public economy, including fast growth of public deficit and consequently also public debt. In order to reduce public spending or at least reduce its growth, the level of most social benefits was decreased. The cuts were significant in the 1990s. Basically all receivers of welfare benefits faced the saving measures: the ill, the unemployed, the pensioners, the families with children, the youth and the poor. The social or tax benefits of all these groups were weakened between 1991 and 1997. The outright cuts stopped at 1997, but no significant increases were made to level of benefits between 1998 and 2006. Consequently, the level of benefits worsened gradually over time (Tables 2 and 3).

After Finland had overcome the acute economic crisis, the rationale used for further cuts of social benefits (along with cutting income taxes) was to increase incentives to be employed. The "incentive traps", i.e. discouragement to take up work due to loss of equally good social benefits,

¹⁹ Harrikari, T. and Satka, M. (2006) A New Regime of Governing Childhood? Finland as an Example. Social Work and Society, <http://www.socwork.net/2006/series/transition/harrikarisatka>.

was much discussed topic during the latter half of 1990s. The empirical works do not validate the (political) ideas that these were common, or that they would have had much to do with employment. Nevertheless, this was significant part of political rhetoric.²⁰

Tables 2 and 3 shed more light on how the level of benefits has developed. Part of the benefits is bound to index that guarantees their development versus inflation. Such benefits include basic unemployment benefit and labour market subsidy, national pension and the basic social assistance (so-called living allowance). Benefits not protected with index include general housing allowance, maintenance allowance for children, student allowance as well as parental allowance or minimum daily allowance during sick leave. This means that without increases, the purchasing power of those benefits decrease on yearly basis. The differentiated development of social benefits compared to consumer prices is presented in Table 2. A whole different issue is however the development compared to general income development, presented in Table 3. It shows how development of most benefits has fell behind the income developments in Finland. (Seldom level of benefits is bound to labour income development. In Finland, an exception is for instance development of labour pensions.)

Table 2. The development of social benefits compared to development of consumer prices. January 2009 compared to development since 1994 and 2000. Source: Jutta-model, the Social Insurance Institution of Finland (Kela), cited by Moisio.²¹

Benefit	Change (%)	
	Since 1994	Since 2000
Labour market subsidy / unemployment benefit	+0.6	+3.3
Maintenance allowance for the first child	-20.0	-7.9
Allowance for university students	-13.5	-4.7
Minimum daily allowance during sick leave	+24.7	+80.7
Support for homecare for a single mom with one child	-37.6	-4.9
Full national pension (1 pax household)	+7.2	+8.2
Social assistance: living allowance (1 pax household)	-4.2	-0.9

Table 3. The development of social benefits compared to development of level of incomes. January 2009 compared to development since 1994 and 2000. Source: Jutta-model, the Social Insurance Institution of Finland (Kela), cited by Moisio.

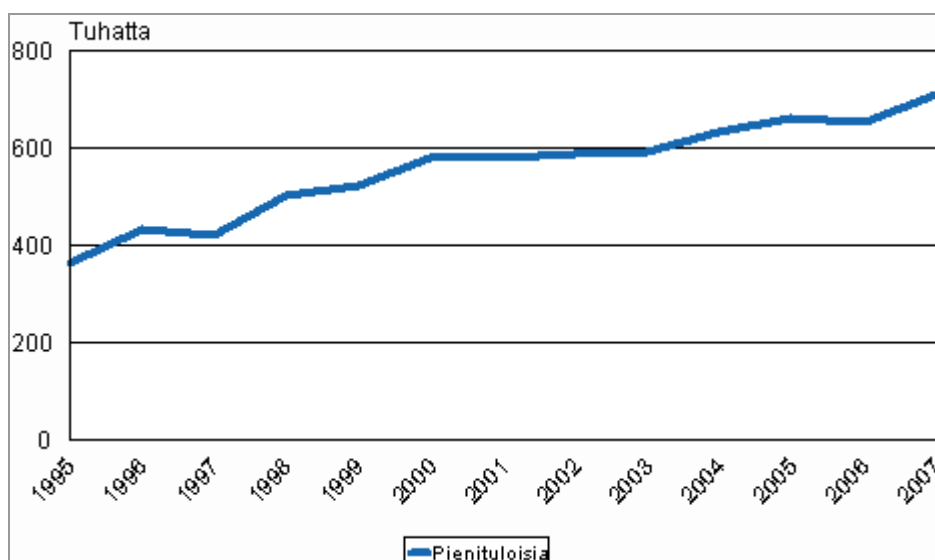
Benefit	Change (%)	
	Since 1994	Since 2000
Labour market subsidy / unemployment benefit	-24.6	-12.4
Maintenance allowance for the first child	-40.0	-22.0
Allowance for university students	-35.1	-19.2
Minimum daily allowance during sick leave	-6.5	+53.1
Support for homecare for a single mom with one child	-53.2	-19.4
Full national pension (1 pax household)	-19.6	-8.3
Social assistance: living allowance (1 pax household)	-28.2	-16.0
Consumer price index compared to incomes	-25.0	-15.2

²⁰ Kiander (2007).

²¹ Moisio, P. (2009) Vähimmäisturva ja köyhyysraja Suomessa (Minimum social security and poverty level in Finland), a Memorandum for the SATA Committee, January 2009.

As a result of the developments described above, since the mid-1990s a) the incomes and purchasing power of majority of Finns have improved, b) “rich have become richer” as incomes of those who have gained major capital incomes have grown particularly rapidly, and c) the position of those households whose incomes are dependent on social transfers have weakened, as the level of benefits has been left behind the overall income development. (Further analysis has shown that those levels have also left behind lower level employment incomes, which have increased incentives to get employed.) Consequently, the poverty rate (defined in euros, on the basis of median income) has risen faster than the incomes of low-income population, i.e. the relative poverty has increased. Figure 4 shows how the statistical share of low-income population has grown through the years. The most recent statistics are available from 2007. Then the number of low-income population was already 708,000 people, which equalled 13.6 per cent of the population.

Figure 4: The number of low-income population between 1995 and 2007. Source: Statistics Finland (*Tulonjakotilasto 2007*).



In the Finnish usage of terminology, those living underneath the poverty rate are usually referred to as “the low-income population” or “those in the risk of poverty”, instead of labelling them outright “poor”. The definition of the poverty rate nonetheless follows that of Eurostat; i.e. the percentage of individuals living in households where the total equalised household income is below 60% of national equalised median income, after social transfers. The poverty rate for one person household was € 13 000 in Finland in 2007. The importance of welfare benefits is unquestionable: in average 83 % of the disposable income of those living under the poverty rate consisted of income transfers (i.e. different kinds of welfare benefits). Among the rest of the population the share was 32 %.²²

The largest single group of low-income population was pensioners, who totalled nearly 200,000 or 28 % of the group. However, of all pensioners in Finland, only 17 per cent had low incomes in 2007. Nonetheless, the share of 65+ years old, living alone, has grown quickly among the low-income population. In terms of socio-economic standing, the unemployed had the highest risk of poverty. Nearly half of the unemployed (48 %) had also low incomes in 2007. An important factor

²² Statistics Finland: Income distribution statistics 2007, released January 19th 2009.
http://www.stat.fi/til/tjt/2007/01/tjt_2007_01_2009-01-19_tie_001.fi.html

behind Finnish poverty is the long-term unemployment. As the period of unemployment prolongs (beyond 500 days), the unemployed person drops from earnings' bound (often relatively good) unemployment benefit to (fairly low) labour market support. An alarming figure is the growing share of children among those living in low-income households. The child poverty rate was 14 % in 2007. The share of low-income population in different age groups is presented in Table 2.

Table 2: The share of low-income population by age, 1995 and between 2000-07. Source: Statistics Finland (Tulonjakotilasto 2007).

Year	1995	2000	2003	2004	2005	2006	2007	Number of low income population in 2007
All age groups	7,2	11,3	11,5	12,2	12,8	12,5	13,6	708 400
-15	4	12	12	12	11	12	14	134 900
16-24	19	21	24	27	26	23	26	148 100
25-49	6	10	10	10	11	11	11	182 100
50-64	5	8	7	8	9	9	10	106 700
65-74	5	8	7	9	12	11	11	50 900
75-	10	14	15	18	19	18	22	85 700
Children, below 18 years	4,7	11,7	12,2	12,1	11,5	12,3	13,9	151 700
Low income population, in thousands	362	576	591	629	661	652	708	
Poverty rate, € per Consumption unit ²³ (OECD) in 2007 value of currency	9 593	10 889	11 822	12 353	12 816	12 776	13 077	

3.2 Assessments

The overall coverage of MI schemes is generally not considered to be a major problem in Finland; basically all adult populations are covered by one type of minimum income scheme or another (see Chapter 2). However, researchers are critical on the limited take-up of social assistance, which is the last resort benefit in the Finnish system. The limited take-up has been found to be substantial. Based on a data collected in 2005, it has been evaluated that only half of the eligible actually take up social assistance. Partly this is explained by personal unwillingness to apply for the social assistance (for stigmatisation or other reason) and face the bureaucracy (instead of coping on their own), but another great reason is the complexity of the system. It seems to be common that people do not know to what they are eligible. The cost effect (the "saving") for the society was between € 76 M and € 443 M in 2005. The latter would mean doubling the costs of the social assistance. The limited take-up's effects on households are also considerable, as the eligible households can be defined as poor, and the social assistance is relatively effective measure to remove poverty. The limited take-up is most common among young (below 25 years old), among those living in small towns or countryside (explainable by social stigma), and among those with only basic education (explained by complexity of the system).²⁴

²³ Consumption unit (OECD): The size of the consumption unit represented by the household-dwelling unit is indicated as the sum of the weights of its members. In accordance with international recommendations the value of each member of a household-dwelling unit is determined as follows: first adult aged 18 and over = 1.0, subsequent adults aged 18 and over = 0.7, each person aged under 18 = 0.5. If all persons in the household-dwelling unit are aged under 18, the weight of the first member is 1.0 and that of subsequent members 0.5.

²⁴ Kuivalainen, S. (2007) Toimeentulotuen alkäytön laajuus ja merkitys (Extent and significance of limited take-up of social assistance), Yhteiskuntapolitiikka 72:1, 49-56.

Another research suggests that one reason to limited take-up is that the applicants are not sufficiently informed about their rights to social assistance, and neither is their application process supported enough by the social workers. According to one researcher in charge, a typical non-take-up case is for instance a person with mental problems, who does not have the capacity to deal with the bureaucracy without assistance.²⁵ In another research the same author concludes that similar problems occur also with other social security benefits, because the social care employees do not have sufficient time to evaluate the needs of “non-standard” customers.²⁶ Considering the vital economic importance of social assistance to the eligible, these results suggest the need of an simplified social assistance system.

Based on the data on the Luxembourg Income Study (2000), Kuivalainen studied the success of the Finnish social assistance system in terms of poverty removal. The results show that the incomes of most households in receipt of social assistance benefit were above the poverty line even before they began to receive support. Generally, then, the benefit does not reach the poorest households very well. Nonetheless, social assistance benefit does alleviate poverty quite effectively. For the poorest households in particular, it is extremely significant. The results indicate that without social assistance benefit, the poverty rate would have been approximately one and a half percentage points higher than it was after the benefit (in 2000). Poverty deficit analysis also yielded a positive picture of the poverty-alleviating effects of social assistance benefits.²⁷

The question of adequacy is a trickier one. Although the right to basic income security, which supposes to be enough to “the means necessary for a life of dignity” is guaranteed by the Constitution (see Chapter 2), the level of adequacy has not been defined officially. There has been though number of committees to ponder this question since the 1970s. Researchers too have tried to estimate such consumption levels. Nonetheless, to define the level of consumption (or standard of living), which the income security provided by the state should cover for variety of households, is still a political question in the end. Nevertheless, the fact that most benefits have fallen far behind the income development rise serious questions about their adequacy, as well as on how the whole system is working, keeping in minds also the limited take-up of social assistance. On the one hand it has followed the government policy to increase incentives to work, but on the other hand it has contributed to increase in relative (and also absolute) poverty. The government should follow the letter of constitution and aim to provide “the means necessary for a life of dignity” also for the not-easily-employable.

3.3 Further development trends (Reform of the Finnish social security system)

The Government of Finland has undertaken to reform the whole social protection system. The aim of the reform is to make accepting job offers always profitable, to reduce poverty and to ensure an adequate basic income in all life situations. A further aim is to make the entire system of social protection simpler and clearer. The reform is being prepared by the so called SATA committee consisting of representatives of the relevant administrative sectors, and of the labour market organisations and the third sector. The work of the committee is supported by four sub-

²⁵ Miljoonia euroja toimeentulotukea jää nostamatta”, YLE uutiset 16.7.2008. http://yle.fi/uutiset/kotimaa/2008/07/miljoonia_euroja_toimeentulotukea_jaa_nostamatta_309592.html

²⁶ Metteri, A-M. (2005) .., Sosiaalivakuutus 4/05.

²⁷ Kuivalainen, S. (2004) Missä määrin toimeentulotuki poistaa köyhyttä? (To what extent does social assistance benefit remove poverty), Yhteiskuntapolitiikka, 69:6, 583-593.

committees. The reform is being implemented gradually. The first law proposals were introduced to Parliament during the autumn session 2008, and a proposal for the most important policy lines were released in the end of January 2009. The Committee shall submit a proposal for the total reform by the end of 2009, after further examination of details and calculation of expenditures. When determining the order of priority of its proposals and the time schedule for their implementation the Committee is taking into account the limitations posed by the sustainability of the public economy.

The foundation and arguments behind the reform lie in the ageing of the population that is calculated to increase the expenditure on social protection and the simultaneous shrinkage of the population that has been estimated to slow down the growth of national income. Thus new requirements are defined for social policy and social protection. Also the effects of globalisation and the skills level of the labour force and its power of regeneration form an argument behind the reform. According to SATA Committee the aim of social protection reform is to contribute to a growth in the employment rate and support swift access to employment. Growing efficiency of the public sector is considered to affect the conditions for competitiveness.

According to the reformed social policy the purpose of social protection is to reduce the disadvantages old age, illness or disability involve so that people can retain their capacity for work and independent living as long as possible. Instead of concentrating on ensuring subsistence the reform is heading towards *an active social protection* that is directed to encourage seeking work, staying on at work and returning to work. The aim is to have efficient employment services and education, training and rehabilitation provision.

Objectives of social protection reform are:

- Incentive and fair social protection for all;
- Reduction of poverty is an important objective;
- Adequate basic security in different life situations;
- Accepting work should always be profitable and easy without unnecessary bureaucracy being involved;
- The level of basic security should be such that there is no need for social assistance on a permanent and continuous basis;
- Towards longer working careers;
- A clearer and simpler system;
- Financial sustainability of the social protection system should be ensured.²⁸

Summary of the proposal of the Committee for reforming social protection²⁹

The proposal for basic policy lines includes an evaluation of the adequacy of social protection and foreseeable challenges. The proposals cover almost the whole range of social protection: the adequacy of basic protection, social protection supporting active alternatives and attaining longer working careers, incentives and simplification of social protection.

In regard to basic protection the policy lines have dealt with guaranteed pension as a model for improving the income of persons living on the smallest pensions. Other issues include

²⁸ Towards a social protection reform: creating opportunities. Social protection reform - SATA. Helsinki 2008. 7pp. Ministry of Social Affairs and Health's brochures 2008:3eng.

²⁹ Reports of the Ministry of Social Affairs and Health 2009:10.

simplification of the housing allowance system, index-linkage of basic security benefits (child benefit and home care allowance), and introduction of a new model for the regular assessment of the adequacy of basic security benefits. In its further work the Committee will further examine possibilities to transfer the handling of the calculated part of social assistance to the Social Insurance Institution. The objective of reforming the unemployment insurance benefits included in the policy lines is the stability of unemployment benefits and unemployment insurance contributions and shorter unemployment spells through intensified job seeking and continuous active measures in support of it.

The complex of *active measures* includes measures to strengthen skills and to maintain and restore work ability and functional capacity. The reform of unemployment insurance involves several proposals for measures. It also includes a proposal for making the alternation leave system permanent. With a view to improving the incentives involved in social protection the Committee examines ways to eliminate barriers to the employment of people with disabilities and partial work ability. In regard to *labour market support* the Committee considers abolishing means testing and transfer to using a model of one basic protection benefit in unemployment insurance.

The Committee considers that the growth conditions for young children should be improved by supporting in particular care in early life. It has also discussed coordination of the different rates of parents' allowance and ways to develop home care allowance. According to the Committee social protection should be developed to the effect that it is always profitable to accept work and to earn additional income. The Committee underlines the importance of measures to encourage accepting also short-term jobs. It has also discussed measures to underpin the achievement of this aim, such as determining maximum processing times for benefit applications, introduction of an electronic wage/salary certificate, and simplifying the processing of applications. Furthermore, it will be examined how to revise the structure of social protection legislation to the effect that it would support better than at present the objectives of an active social policy. The policy lines outlined by the Committee reach far into the future and underline measures for correcting the economic dependency ratio. That must further be intensified in order to secure the financing of social protection.

The reform has been criticized to set the main emphasis on motivation and activation while forgetting the basic needs of the most vulnerable: long-term unemployed, disabled or old people. A famous social politics debater, Professor of Social Politics J.P. Roos, claims in his blog in Finland's main newspaper Helsingin Sanomat that the main principle is "Everybody to work!" (which resembles USSR to him).³⁰ Also the formation of the SATA Committee has met some criticism: researchers are not as strongly represented as labour unions and politicians. The fear is that the reforms of the income security and the social protection are not being implemented synchronically. Income security is now more in the hands of labour parties, not in the decision of the committee, claims an expert of social security, Professor of Sociology Asko Suikkanen.³¹

³⁰ Roos J.P. (2009) Blog writing: Sata-komitea ja perusturvauudistus (The SATA committee and social security reform) <http://blogit.hs.fi/politiikanvieraat/sata-komitea-ja-perusturvauudistus>

³¹ Finnish Broadcasting Company YLE 2009. Professori: Sata-komitean esitys ei riitä. http://yle.fi/uutiset/talous_ ja_politiikka/2009/01/professori_sata-komitean_esitys_ei_riita_507990.html

4. Link between minimum income schemes and the other two pillars of the active inclusion strategy

The EU's active inclusion strategy is based on three inseparable and complementary pillars: a guaranteed adequate minimum income/wage; a policy promoting labour market integration; and access to quality social services. The two latter are also covered well by the Finnish system.

4.1 Support to MI recipients in terms of employment and training programmes

The active employment policy and social policy have further integrated in Finland during the past 10 years. Most measures implemented as a part of the activation policy are described above in Chapter 2 on development of social assistance.

Promotion of labour market integration of MI recipients as well as other unemployed people is supported by various employment and training programmes, some of which include elements of personal service.

Several measures of job creation are applied, including ones aimed at lowering structural unemployment (those entitled 'hard to employ'). *Government employment service centres* (39 centres operating in 2008), established to enhance employment services for the hard to employ, form a cross-administrative network. The employment office, municipality social services and the Social Insurance Institution provide special services at the same operating location to the long-term unemployed and to those who need multi-professional support. From the beginning of 2006, *the activity of the labour market support* was enhanced so that the conditionality of support increases as the period of unemployment lengthens and the unemployed are offered services more intensively. At the same time, labour market support funding was reformed so that support during unemployment is shared equally between the State and the municipalities (previously entirely funded by the State), with the aim of creating employment incentives for local government. Since 2004, '*social enterprises*' could have been granted a wage subsidy for the employment of people with disabilities as well as the long-term unemployed for a longer time than other companies. At the end of 2007 there were 148 social enterprises, double the previous year's number, and they employed around 750 people. The development of *the interval labour market* is an employment and social policy project to create work opportunities for individuals who for various reasons are difficult to place on the open market. Work opportunities are offered particularly by associations, training and social service foundations, workshops and other organisations, such as social enterprises. These development measures are funded by both national and ESF appropriations. The measures above are general measures, not targeted at a particular social group.

Furthermore, there are specific measures to promote employment of the youth, which is considered a crucial social inclusion question. Due to good economic development, the employment rate for 15–24 year-olds raised and unemployment fell, at least until the end of 2008. The government has promoted youth employment by *the social guarantee for young people*, launched in 2005, and the educational administration's *education guarantee* has paved their way to further education. Early intervention and an enhanced service process are central to the social guarantee. A specific job seeking plan is prepared for each unemployed job seeker under 25 years of age within three months of their becoming unemployed. The plan agrees on the service to be offered to the young, namely they are promised that they will be offered employment service job application training, a job or training place (training or vocational education), a work

placement, on-the-job training, preparatory training for working life, a start-up grant or wage-subsidised work. In addition, they can be offered services related to assessing their working capacity or state of health. In 2007 an individual job seeking plan had been prepared for around 82 per cent of young people within three months of their becoming unemployed.

As criticized in the previous report, another group that would need enhanced measures is the immigrant population, whose unemployment rate was more than two times that of Finns (before the financial unrest started).

4.2 Support to MI schemes in terms of access to quality services

The access to quality services is supported by an equal access to almost-free-of-charge health-care system and subsidised childcare costs in all municipalities. Furthermore, the low-income population is entitled to apply for social rental housing, which is available in major urban regions.

Neither state nor municipalities provide in-kind support, if that refers to “unearned income in the form of food, clothing, or shelter that is given or received because someone else pays for it”. The social assistance and other welfare benefits are expected to cover these costs. However, a number of NGOs do provide one or several kinds of such support, targeted for the poorest and often already socially excluded people.

Appendix 1: An example of social assistance calculation

A family applies for social assistance. The family members are an unemployed father receiving cash labour market support, a mother who is at home receiving maternity grant, a 6-year-old child and a less than a year old baby. The family receives housing allowance and family allowance. (City of Helsinki Social Services Department 2009: Grounds for granting social assistance).

Income	EUR
Cash labour market support	563,47 /month
Maternity allowance	467,08 /month
Housing allowance	459,01 /month
Family allowance	210,50 /month
Income total	1700,06 /month
Expenses	
Basic amount, father	354,83 /month
Mother	354,83 /month
First child	262,99 /month
Second child	242,12 /month
Rent (receipt)	850,00 /month
Charge for water (receipt)	40,00 /month
Phone bill	90,00
	not eligible, covered by basic amount
Internet-fee	35,00
	covered by basic amount
Purchased clothes	85,00
	covered by basic amount
Public transportation pass	41,60
	covered by basic amount
Expenses total	2356,37 /month
Total sum of eligible expenses	2104,77 /month
Total sum of income	- 1 700,06 /month
Social assistance	404,71 for a month

In this case, € 404, 71 per month is granted as social assistance. During the time social assistance is granted, refund is also paid for reasonable electricity bills falling due and personal liability fees when using public health care services and for medicines for illness prescribed by a public health care physician.

Appendix 2: Most important websites and printed information with overlook on Finnish MI schemes

City of Helsinki Social services department 2009. Grounds for granting social assistance 2009.

Ministry of Social Affairs and Health 2009. Reports of the Ministry of Social Affairs and Health 2009:10

Ministry of Social Affairs and Health 2008. Towards a social protection reform: creating opportunities. Social protection reform - SATA. Helsinki 2008. 7pp. Ministry of Social Affairs and Health's brochures 2008:3eng

Ministry of Social Affairs and Health 2009. Social protection reform: The work of the SATA Committee. http://www.stm.fi/en/publications/publication/_julkaisu/1057207#en

Ministry of Social Affairs and Health 2009. Income security.
http://www.stm.fi/en/income_security

Ministry of Social Affairs and Health 2007. Social assistance. Handbook for the Application of the Act on Social Assistance. 6th rev.ed., Helsinki, 2007. 150 pp. (Publications of the Ministry of Social Affairs and Health)

Social Insurance Institution of Finland KELA: A Guide to Benefits.
[http://www.kela.fi/in/internet/liite.nsf/NET/180808091909HS/\\$File/Pahkina_eng.pdf?openElement](http://www.kela.fi/in/internet/liite.nsf/NET/180808091909HS/$File/Pahkina_eng.pdf?openElement)

STAKES: Toimeentulotuki 2007 - Utkomststöd 2007 - Social Assistance 2007. Statistical Summary 37/2008. Official Statistics of Finland. Social Protection 2008. STAKES.

Appendix 3: Last resort social protection schemes in Finland

Last resort social protection schemes in Finland				
	Social assistance	Labour market subsidy	National pension	Conscripts allowance
Eligibility	Without regard to nationality, all persons residing in the country	Unemployed job seekers who enter the labour market for the first time or otherwise have no recent work. Long-term unemployed persons who have exhausted their 500-day eligibility for the basic or earnings-related Unemployment Allowance	Persons who are entitled only to a very small earnings-related pension or to none at all.	persons performing their compulsory military or alternative service and for their spouse and children Consists: Basic Assistance, Housing Assistance, Maintenance Allowance, Special Assistance and interest on student loans.
Age condition	No age condition, in practise 18	between 17 and 64 years of age, resident in Finland and an unemployed job seeker	Types: Disability Pension for persons aged (16-) 21-64. Unemployment Pension for persons aged 60-64. Old-Age Pension for persons aged 65 or over	
Conditionality	All income and assets are taken into account. Small parts can be disregarded. Obligation to register as unemployed with unemployment office; workfare concerns only young recipients	Unemployed persons between 17 and 24 who have not completed vocational training are entitled to the labour market subsidy only when participating in labour market training or job training. One must be registered as an unemployed job seeker with the employment and economic development office for at least 5 working days in order to qualify for the labour market subsidy. Persons entering the labour market for the first time must complete a five-month qualifying period (does not apply to recent graduates of vocational institutions)	One must have lived in Finland for at least three years after reaching the age of 16. Any other pensions or benefits one receives may not exceed a certain maximum limit.	The amount is affected by the number of recipients: the first recipient gets up to the full amount, the second 50% and the third and additional recipients 30% each.
Duration	As long as eligibility conditions are met	Indefinite period	Indefinite period	During the service
Governing institution	Municipalities	The Social Insurance Institution of Finland	The Social Insurance Institution of Finland	The Social Insurance Institution of Finland
Taxation	No	yes	Yes	No
Amount	304,74 - 417,45 €/month	Single recipient 25,63 €; 1 child 30,49 €; 2 children 32,76 €; 3 children 34,82 €; 4 children 34,82 €; 5 children 34,82 €	Single recipient 584,13 €; Married 518,12 €	The full amount for single recipients is equal to the full national pension (€ 558,46 per month)

Sources: Social Insurance Institution of Finland KELA A Guide to Benefits: [http://www.kela.fi/in/internet/liite.nsf/NET/180808091909HS/\\$File/Pahkina_eng.pdf?openElement](http://www.kela.fi/in/internet/liite.nsf/NET/180808091909HS/$File/Pahkina_eng.pdf?openElement)