



INCOME REDISTRIBUTION AND MEASURES AGAINST POVERTY: THE FINNISH EXPERIENCE

Training Program

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Policy”

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Finland – A Nordic Welfare State

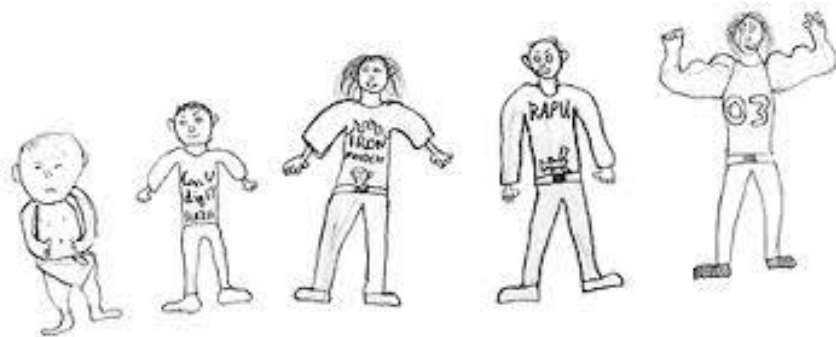
- In the Nordic welfare state, the social security system offers *universal* benefits and services
 - Not the same amount of benefits to all or same kind of services to all, but easy access and little means-testing
- The aim of the social security systems is not only to help the poor and the disadvantaged, but through universal benefits and services to maintain and enhance *social inclusion and social citizenship*
- Based on the principles of *equality and solidarity*, the Nordic social security system helps *all people living in these countries* facing social risks in various stages of their lives (unemployment, sickness, old age, parenthood etc.)
- Social security is financed via taxes and social security payments, the emphasis being on the former rather than on the latter
- Financial risk for the production of social security is widely distributed - a single service user does not pay the actual (market) price for the services

Social inclusion in practice

- In the Nordic context, social security is a means, not a goal per se
- The aim is to enable citizens' participation in the society – social security system has to be scrutinized in the wider societal context together with educational and labour market policies
- Social inclusion is not enhanced only via benefits or social and health care services, but also via free education, free school meals, and active labour market policies
- Although Nordic welfare state is based on social democratic values and the role of the Lutheran church has been narrow, in the political debates concerning the development of the welfare state, different concepts of humanity and the idea of deservingness are being discussed
- Hence, as other models of welfare, also the Nordic welfare state must be put in its' cultural context in time and place

From maternity grants to pensions – social security for all

- **Home and family**
 - Benefits for families with children
 - Assistance with housing costs
- **Health**
 - Sickiness
 - Rehabilitation
 - Occupational health
 - Disability benefits and services
- **Education**
 - School transport subsidy
 - Financial aid for students
 - Conscript's allowance
- **Unemployment**
 - Benefits during unemployment
- **Retirement**
 - Pensions
 - Benefits for surviving family members



Social protection in Finland

Residence-based social security

Basic pensions, unemployment, sickness and maternity benefits, family benefits (Kela)

Earnings-related social security

Pensions, unemployment benefits, employment injuries and occupational diseases (Pension insurance companies, Finnish Centre for Pensions (ETK))

Municipal welfare services

Health care and social care services (Local authorities)

Private welfare services and private insurance

(Profit and non-profit organisations)

*Finland spends 32 % of GDP to social protection
Income transfers 62 %, services 38 % of total social
expenditure.*

Measures against poverty – Finnish experiences

- The measures themselves do not differ significantly from those taken in other welfare countries
 - However, comparisons can be made e.g. to the United States, where poverty is a more pronounced social problem
- What has been done differently in Finland?
- Firstly, Finland has a long history of *parliamentary policy "engineering"*
- Secondly, and partly connected to the first point, Finland has a history of *tri-partite negotiations* concerning not only labour market policies, but also "social packages" (e.g. parental leave system)
- There has been a strong will for consensus in the Finnish policy making, despite different values and attitudes of the parties involved
- A lot of weight has been given to the working groups of experts responsible for preparing legislation and legislative reforms
- However, gradual change towards more common way to do policies – legislative reforms are "contracted" in the governmental program and the opposition has less say to the contents of the reforms.

Success story in tackling poverty: Maternity grant

- Maternity Grants Act was adopted in 1937
 - First grants were provided in 1938
 - Concern for declining birth rates and high infant mortality
 - Purpose to promote the welfare and health of a mother and a child
- At first for low-income mothers only
 - In 1949 available for all mothers
- Before 1994 maternity grant was awarded by municipal welfare boards, since then by Kela (the Social Insurance Institution of Finland)
- Eligibility for the maternity grant requires 154 days of pregnancy and *medical examination before the end of 4th month of pregnancy*
- Mother can choose between a maternity package and a tax-free lump-sum of 140 €

Maternity clinic - Neuvola

- First maternity clinics were established in Finland in the 1920s
- Focus on the health and development of newborn babies and their families
- Offer parental guidance and support
- Free of charge for pregnant mothers, mother of small children, fathers and newborn babies
- International interest on the model: In Bunkyo, Japan, mothers can visit *neuvola*. (In Japan, they also have *neuboras*)
- The maternity clinics were and still are in great importance in decreasing differences in health and well-being of not only children, but also their mothers and fathers



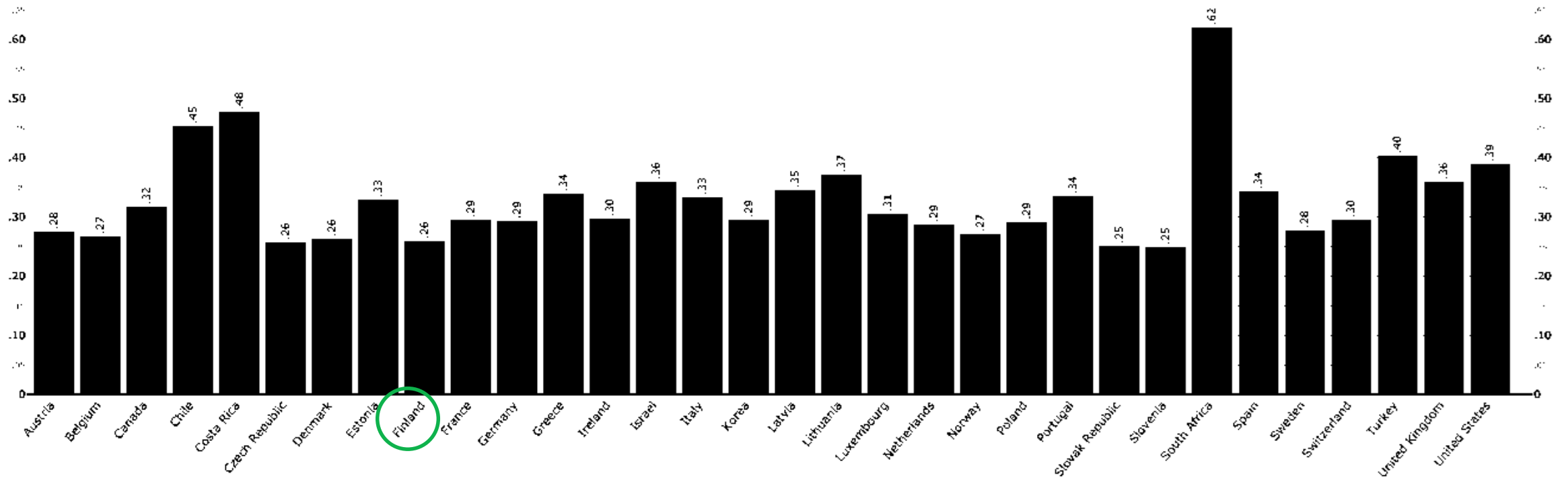
Source: Suomen Museovirasto

Maternity package



- Kela awards around 60,000 maternity grants per year
 - Of which, 64 % are maternity packages
- The maternity package contains baby clothes and other necessary items, such as bedding, cloth nappies, gauze towels (veils) and child-care products.
- The maternity package is not a commercial product and cannot be bought. The items it contains are sourced through a competitive bidding process complying with EU law.

Gini (disposable income, post taxes and transfers), Total population, Current definition, New income definition since 2012



- The measures taken have been successful – the Gini coefficient is among the lowest within OECD countries
- Finland scores among the top five countries when e.g. happiness, equality, trust (both generalized and institutionalized) or achievements of pupils are measured
- Nordic welfare state has been a success story – a bumblebee that should never have been flying

A fine system, but is it outdated?

- The Nordic welfare state has been built into a social reality, in which capital movements are controlled and the employment rate remains high
- In the global economy, both people and capitals move fast – the post-war welfare systems (not only the Nordic model) are built to respond to needs of people seemingly less mobile than today
- Finnish social security system has been modernized and reformed continuously - both the benefit and the service system
- Within last couple of years, the pressure for more thorough reform has been increased
 - Social security system is judged as a jungle and a bureaucratic trap with unwanted patronage
 - Finland is experimenting Basic income in years 2017-2018
- With experimenting new ways to deliver social security, the challenges of the globalizing economy is to be tackled – success is however not guaranteed

Could universal basic income be a solution?

- *The Finnish basic income experiment* is one of the key projects formulated in the program of Juha Sipilä's Government (2015-2019)
- The project was launched with an initial study focusing on the implementation of a universal basic income
- Several models were scrutinized: full-fledged unconditional basic income model, a partial basic income model, a negative income tax model
- The actual experiment takes place in 2017-2018
 - Experiment includes 2 000 persons who received unemployment benefits from Kela in November 2016
- Evaluation of the experiment follows in 2019 (first results in 2-3/2019)



The research group (research professor Olli Kangas) presented its preliminary report to Hanna Mäntylä, Minister of Social Affairs and Health, on 30 March 2016

Questions to be answered

- In the increasingly individualized society, can we legitimize the highly progressive taxation and redistribution of income?
- The delivery of universal benefits and services necessitates high rate of employment – is this achievable in the modern societies?
- How does the various models of welfare delivery relate to the globalizing economy with more and more mobile people and capitals?
- How does the welfare state models relate to the transfer from post-industrial and service societies to information societies?

Thank you!

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