

POVERTY WATCH REPORT

FINLAND 2017

EAPN-Fin
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FINLAND

Poverty Watch Report FINLAND 2017

Suomen köyhyyden ja syrjäytymisen vastainen verkosto EAPN-Fin

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1. Poverty has not disappeared from 100 year old independent Finland

The EAPN-Finland network is a part of the European Anti-Poverty Network (EAPN), which aims to reduce poverty and inequality and to increase the participation of people who have experienced poverty.

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While Independent Finland turns one hundred years old, poverty is unfortunately still present in our country. Finnish poverty increased significantly during the great recession of the 1990s and during the upward cycle that followed, remaining at a new high level. The goal set in 2010 for the EU's Europe 2020 strategy aiming to reduce the number of people living in poverty or risk of social exclusion in Finland to 150,000 by 2020 seems to fail. Poverty should also be reduced by 50 per cent by 2030 as part of the national implementation of the UN Sustainable Development Goals and the Agenda 2030 Action Plan.

Poverty in Finland has decreased only slightly in the 2010s and there are many indications that poverty may have again started to increase. According to the National Institute for Health and Welfare (THL) estimate, the 2017 amendments to the legislation on benefits and taxation will increase the low-income rate by 0.4 per cent¹ and in years 2015–2017 low-income poverty rate about 0,8 per cent¹³. According to THL's Adult health, wellbeing and service research (ATH) survey, the experiences of poverty have increased in the period of 2013–2016². The number of households with no income has doubled since 2013 to 47,000 households³. The number of people with payment defaults is higher than ever before: last year, 373,000 people had a payment default notice⁴ and nearly 400,000 social and healthcare customer fees were collected by way of enforcement⁵. According to the information services of the Finnish Parliament and the estimate of the Ministry of Finance, the income of the low-income households decreases relatively the most compared to other income groups in 2015–2018⁶ and the estimate of THL says, that Gini coefficient would rise from 25,5 percent to 26,2 percent in 2015–2017¹³.

Although the inequality which is clearly associated with poverty has become more and more discussed in recent times, efforts to reduce and prevent poverty have been minor. Reducing poverty and inequality should therefore be further strengthened in the political agenda.

EAPN-Fin proposes that **a comprehensive strategy and action program should be developed in order to reduce poverty and inequality.**

EAPN-Fin's key messages to reduce poverty are the following:

- The number of people living in risk of poverty or social exclusion needs to be reduced. Particular attention should be paid to improve the status of low-income families with children and pensioners. Key measures to reduce poverty could include raising the level of basic security benefits and building affordable housing.
- The situation of long-term unemployed (including young people and immigrants) should be improved and unemployment should be reduced. It would be essential to add resources to wage subsidies and the youth guarantee and to cancel the previous cuts concerning them.
- The reform on social and health services should be implemented in a way that reduces differences in health and well-being and ensures the accessibility of services also for the underprivileged and the people who need many different services.

2. What is Poverty?

In Finland, poverty is mainly relative, meaning underprivilege when comparing to the standard of living of the rest of the population. Relative poverty is generally defined through the "At risk of Poverty" -concept. Persons living in poverty or with a low income are those living in a household with a net income below 60 % of the national median income. In Finland, the income of a single-person household considered at risk of poverty in 2015 was around EUR 1 185 per month and 634,000 persons, which is 11.7 per cent of the population were considered to have a low-income.

The EU also uses the AROPE-indicator (At Risk of Poverty or Social Exclusion), which consists of several components, which define the risk of poverty and exclusion. It is used to monitor the EU-2020 target for reducing the number of people living in poverty or social exclusion by 20 million by 2020. The risk of poverty or social exclusion is measured through three factors: low income, serious material shortages and underemployment. In 2015 16,6 per cent – or approximately 896,000 people – in Finland were at risk of poverty or social exclusion. Of the people living in Finland, around 634,000 people – belong to the low-income group (674,000 in the previous year), around 439,000 in under-employed households (around 416,000 in the previous year) and around 120,000 in households with material shortages⁷.

In addition, indicators defining poverty have been created based on need, reference or minimum budgets, which define also the absolute dimension of poverty. Minimum budgets are minimum expenditure baskets (MEB) drawn for households that define the goods and services a household requires in order to meet basic needs. The indicator for minimum budget defines the percentage of the population living in households with an income too low to be able to reach minimum standard of living. According to the calculations of the national institute for Health and Welfare (THL), the minimum budget standard minimum expenditure poverty line for a person renting an apartment alone varies from EUR 1 077 to EUR 1 234 per month, depending on the place of residence. In 2015, around 471,000 people, or 8,7% of the population, lived below the minimum budget¹³.

Poverty can also be measured through people's experiences. THL regularly conducts Regional Health and Wellbeing Research (ATH). According to it, during 2013-2016,

living problems and experiencing poverty became more common in all age groups. The group of people who have been forced to cut from food, medicines or seeing the doctor due to lack of money grew from 20.5 percent to 23.4 percent.²

*"Work was replaced by my new friend Poverty. The breadline is considered as a measure of poverty. It isn't. Poverty is loneliness, when friends disappear and no-one invites you over or anywhere anymore because "he or she cannot afford it anyway". Now they won't even ask anymore. And the poor would not dare to go and see friends with a pasta bag. It's not about pride, it's just hard to watch others eating beef and drinking wine. A poor person sits alone at home on the couch or looks out of the window. The poor person cannot go out because he or she cannot afford to have hobbies, and even if he or she had, a couple of weeks without food have taken all the strength... In addition to the lack of money, a person can also be poor on a mental level. When friends and hobbies have disappeared, there is always the library. It can enrich your life. Museums and exhibitions are just a dream, not to mention theatres. The poor does not even take the local bus."*⁹

3. How is poverty evolving in Finland?

In recent years, relative poverty was at its highest in 2008 and 2010, when there were about 728,000 people with low income. The growth in the low-income rate seemed to have stopped after 2010 and turned into slight decline. Since 2012, the number of people with low-income has been below 700,000 and in 2015 there were 634,000 people with low income, which is 12.4% of the population. But the estimate by THL says that in 2017 low-income poverty rate would be 12.7 percent¹³, which would mean that poverty would have again started to rise.

Also the number of people relying on basic social security has increased by 50,000 since 2010. In 2015, 4.3 per cent, or 243,232, people living in Finland, belonged to a household where basic social security benefits constituted more than 90 per cent of the household's gross income. The number of people with low-income is projected to increase in 2017 as a result of reforms in tax and benefit legislation¹.

The risk of poverty and social exclusion was at its highest in 2011 and 2014, when it affected more than 927,000 people. It was at its lowest point in 2012, with a total of 854,000 people in risk of poverty and social exclusion. In 2015, the risk of poverty or social exclusion affected around 896,000 people, or 16.6 per cent of the population in Finland.

The minimum budget poverty has been monitored since 2012, when it was just under 10% of the population. In 2015, approximately 471 000 people, or 8.7 percent of the population, lived below the minimum budget¹³.

According to THL's ATH data, during 2013-2016, livelihood problems and experiences of poverty became more common in all age groups. The number of people forced to cut from food, medicines or seeing the doctor due to lack of money grew from 20.5 percent to 23.4 percent.²

In addition to examining the various poverty indicators that are based on objective income or estimates of subjective experiences or experiences of poverty, the number of

people relying on breadlines and the requests for help from NGO's are important signals when studying the overall picture of poverty, that should not be ignored when analyzing the phenomenon. The number of people in breadlines and the requests for help from church's diaconess work are on the rise.

Finnish poverty is described by the following figures (the trend in brackets):

- There are about 896,000 people who are at risk of poverty and social exclusion (?)
- There are about 634,000 people living in low-income households, of whom 41,100 people belong to the long-term low-income group (+)
- There are around 471,000 people living under minimum budget (?)
- About 400,000 people rely on social assistance, nearly a third of them receive support over the long-term (+)
- There are about 276,000 unemployed, more than one third of whom are long-term unemployed (-)
- There are around 118,000 people suffering from material deprivation (-)
- There are more than 100,000 children living in poverty (+)
- There are around 47,000 households with no income (+)
- There are around 20,000 people in breadlines every week (+)
- There are around 7,500 homeless people (-)
- There are approximately 4,000 undocumented migrants (+)

4. Who are affected by poverty and what are the key challenges in their situation?

Finnish basic social security is not enough for those relying on it

In assessing the amount of basic social security, it has been found that, apart from pensioners, the level is not sufficient to cover the expenditure of reasonable minimum consumption. Among the pensioners, those who get the guaranteed pension, are in the worst situation and the guaranteed pension is not anymore enough for minimum budget. The basic social security of an unemployed single-household currently covers 72 per cent of the minimum budget. Between 2016 and 2017, the situation of the people with low-income has become more difficult due to cuts affecting almost all social security benefits. In 2016, the cut was 0.4 per cent and in the following year 0.85 per cent. In addition, in the years 2018-2019, there will be no index increases to benefits. Insufficient basic social security means that people need to rely more and longer to the social assistance and go find help for example from the breadlines.

Housing is too expensive for many people living with low-income

The high cost of housing is one of the main causes of livelihood problems. Housing costs for people with low-income have increased faster than the general price trend and at the same time the development of the level of housing benefits has been lagging and further cuts are being made. Especially in the growing cities, there are not enough affordable housing being constructed.

Poverty among families with children

Based on statistics extending up to 2015, 101,000 children (9.4 percent) live in poverty. The number of children living at risk of poverty and social exclusion is even bigger: approximately 15 percent of children live in households affected by the risk of poverty and social exclusion. Child poverty in single-parent families is considerably higher compared to families with two parents. In 2015, one in five children of single-parent families belonged to the low-income group, while just over 7 per cent of children in two parent families belonged to low-income households. About 5% of the children lived in households relying on basic social security. Child poverty is usually caused by unemployment, labour market change and low level of education.

Differences in the availability of social and health services increase inequality and poverty

Inequality in social and health services are, among other things, increased by varying and growing customer fees. Customer fees have increased over the past two years. In 2015, customer fees were raised by 9.4 per cent and in 2016 by nearly 30 per cent. Some municipalities considered the increase in 2016 as unreasonable and refused to raise the fees or only raised the fees partly. Approximately 60 percent of the municipalities increased their service fees, mainly to the maximum. Reform of the legislation on consumer fees for social and health services is suspected to increase customer fees in Finland, which are already the highest in the Nordic countries¹¹. According to the Social Barometer by NGO SOSTE, 75 percent of managers in the social sector expect customer fees to rise with the reform¹². Finland also has more problems with the accessibility of healthcare than other Nordic countries, and those in a vulnerable and low-income situation often lack the services they need. Increasing customer fees further weakens this groups access to the services.

Young people with no education are at risk of social exclusion

There was a total of 44,475 young people (aged 16-29) with no other education than basic education who were not employed, in military or civil service or on parental leave. A notable percentage of this group were immigrants and people taken into custody when they were children. Of these young people living in social exclusion 21,229 were unemployed job seekers and 23,246 were unemployed and were not students. The total number of this group is about 5 percent of the total age group of 16 to 29. There have been cuts both in education and youth guarantee in recent years.

Long-term unemployed are at risk of complete exclusion from the labour market

Recent research has evoked public debate on concern over working-aged men who are not in employment, education or receiving disability pension. In Finland, there are almost 79,000 working aged 24-54-year-old men, who have disappeared from the labour market. Of these men, up to 28,000 have been reported as persons whose return to the labour market may be considered unlikely. The prospects of this group are particularly weakened by prolonged unemployment, low level of education and narrow work history, and cuts for active labour market policy (including wage substitutes).

Those living in poverty must rely on breadlines

In the 21st century, food aid has become one of the most prominent sources of informal aid in Finland. The number of people relying on food aid vary, but according to esti-

mates, around 20,000 people rely on food aid organized by NGO's, associations and religious communities weekly. A slight increase in the number can be expected, as in the public debate, several organizations have reported an increase in customer numbers. The cuts in social security and growing customer fees makes the situation of the poorest even worse and push people to seek help from the third sector and different unofficial sources.

The causes and consequences of poverty

Generally, the underlying cause of poverty is often prolonged unemployment, disadvantage inherited from generation to generation, low educational level, high number of children, single parenthood or living alone, long-term illness or incapability to work due to disability, drug and mental health problems. There are also significant regional differences in poverty. Poverty has increased in recent years especially in urban areas where living is expensive and homelessness is more common than in other parts of Finland. However, in the rural regions, there is more unemployment, the welfare services are not comprehensive or accessible to all.

5. What are Finland and the European Union doing to reduce poverty?

In accordance with the EU's Europe 2020 strategy, Finland should seek to reduce the number of people living at risk of poverty and social exclusion by 150,000 (to 770,000 persons) by 2020.

Finland is also committed to the UN Sustainable Development Goals and the Agenda2030 Action Plan, which aims to halve poverty in Finland by 2030.

One of the main priorities of the 2011 government program of the government of Jyrki Katainen was "Reducing Poverty, Inequality and Social Exclusion". The focus was implemented through a cross-administrative operational program. In addition, Katainen's government increased the basic social security benefits.

In the 2015 government program of Juha Sipilä's Government, poverty is mentioned only once in the foreign policy segment. The Government report on the Global Agenda for Sustainable Development Agenda2030 (2017) states that "Inequality has increased in Finland. In reducing inequality and poverty, ensuring sufficient basic income and equal welfare and employment services is important."

During Juha Sipilä's government's term in office, the status of the low-income group has been weakened by the reduction of basic social security benefits and guarantee pension in 2017 and the freezing of the level of basic social security until 2019 by abandoning the index increases. In addition, in 2016, an index reduction was implemented on basic social security benefits, as the KELA index was decreased by law. The lack of index increases along with the future cuts in housing allowance will lead to a weakening status of people with low-income in 2018-2020. The families with children have been affected by the cuts on child allowances and the renunciation of the indexation of child allowance. The conditions of the people with health issues have been affected by an increase in health care fees in 2016 by a rate of 27.5 per cent even though the law required fees to follow the trend in the cost of living index. In addition, the ability of pensioners with low-income to afford medical prescription medicines has been weakened

by significant cuts to medication benefits in 2016 and 2017. As unemployment prolongs, an increasing number of unemployed people must rely on unemployment benefits, because since 2017 the amount of earnings-related unemployment benefit was reduced from 500 days to 400 days. The social and health care reform might increase customer fees.

The EU has not in its annual Country Recommendations to Finland, raised the issue of poverty, even though it notes in the country report 2017 that achieving the poverty target is challenging for Finland¹⁴.

Instead, Finland has received several comments from the European Committee of Social Rights of the Council of Europe on the insufficient level of basic social security¹⁰. However, Finland has not implemented any measures after receiving the comments but has instead further reduced the level of basic social security benefits.

6. How should poverty be reduced?

For Finland to achieve the poverty targets of EU's Europe 2020 -strategy and UN Agenda2030 Action Plan, the living conditions of approximately 900,000 people living under the risk of poverty and social exclusion should be significantly improved.

Reducing poverty requires a determined social policy: improving employment and reducing long-term unemployment, increasing affordable housing production, functioning social and health services, equal education and raising the level of basic social security.

The level of basic social security should be increased. The level of primary benefits should be sufficient to reduce the dependence on social assistance. It is important to focus on reducing poverty of families with children, which prevents inherited poverty. Basic social security should be simplified and developed so that it better takes into account the fragmented working life and enables the employment of people with partial work ability.

Support for affordable rental housing is needed. Support is needed especially in metropolitan area but also in bigger county centres. In addition, a sufficient level of housing allowance must be ensured.

The situation of long-term unemployed (including young people and immigrants) needs to be improved and unemployment reduced. Increasing employment should be the most important objective of macroeconomic policy. The reform of employment services needs to be implemented with a customer-oriented focus, ensuring equal services to all. Active labour market policy is needed and employment appropriations should be increase significantly. The role of NGOs as services promoting employment must be acknowledged.

The medical prescription medicine allowances and the customer fee system should be reformed so that the deductibles paid by individuals are set at a reasonable level. The annual maximum limit on out-of-pocket costs for customer fees and pharmaceutical and travel expenses should be combined and the maximum should be tied to the guarantee pension level (760 € / month). Regulation and practices on the non-collection and moderation of customer fees should be clear and consistent. Customers should be actively informed about this possibility.

The health and social services reform should be implemented in a way that reduces differences in health and well-being. High quality services should be accessible to everyone. The services of special groups of people in a vulnerable situation need to be secured, basic level services need to be strengthened, and efforts to promote well-being and health must be enforced.

EAPN-Fin proposes, as immediate measures to reduce poverty, the following:

- The number of people living at risk of poverty or exclusion needs to be reduced. Special attention should be paid to improving the status of low-income families with children and pensioners. Key actions to reduce poverty could include raising the level of basic social security benefits and building affordable housing.
- The situation of long-term unemployed (including young people and immigrants) should be improved and unemployment should be reduced. It would be essential to direct funds to wage subsidies and the youth guarantee and to cancel the previous cuts.
- The reform of social and health services needs to be implemented in a way that reduces differences in health and well-being and ensures the accessibility of services that are needed, also for the underprivileged and the people that need several services.

In the context of the 2017 municipal elections, EAPN-Fin also gathered a list of how municipalities and counties can reduce and prevent poverty and inequality:

- Substantial poverty and childhood and pensioners poverty should be actively and objectively reduced as part of all decision-making. For example, social rental housing needs to be increased.
- High quality and accessible social and health care services and housing services should be equally guaranteed for everyone.
- The municipality can reduce youth and long-term unemployment through offering jobs and engaging in employment co-operation with NGOs.
- Supporting civic activity, NGOs, and community meeting places, as they reduce and prevent different kinds of problems and loneliness.
- In municipalities and counties, forums should be organized where the aim is to actively discuss poverty and social exclusion with people experiencing these phenomena.

Additional measures to prevent and reduce poverty and inequality can be found in EAPN-Fin's publication *Köyhyys – syitä ja seurauksia*, edited by Niko Eskelinen and Jiri Sironen, Suomen köyhyiden ja syrjäytymisen vastainen verkosto EAPN-Fin, Helsinki 2017.



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