

POVERTY WATCH

POVERTY WATCH REPORT FINLAND 2018



EAPN-Fin
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European Anti-Poverty Network Finland EAPN-Fin

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1. Poverty has not disappeared from Finland

There was a marked increase in poverty in Finland during the great recession of the 1990s and the economic upturn that followed, and it has remained at a high level ever since. In 2010, Finland made a commitment to reduce the number of people at risk of poverty or social exclusion by 150,000 by the year 2020 as part of the Europe 2020 strategy. It now seems clear that the goal will not be reached.

This report of the European Anti-Poverty Network Finland presents the latest statistics on poverty and its views on how poverty might be reduced in Finland. EAPN-Fin is part of the European Anti-Poverty Network, comprised of non-governmental organisations whose purpose is to enhance the inclusion of people who have suffered poverty and to reduce poverty and inequality.

The population of Finland was about 5.5 million in 2017. Detailed information about Finland, including population, health, social security and the labour market, is available from [Finland in Figures 2018](#), published by Statistics Finland.

In addition to the commitment made within the Europe 2020 strategy of the EU, Finland has also committed to reducing poverty by one-half by 2030 as part of the implementation of the UN Goals of Sustainable Development and the national implementation of Agenda 2030. To attain this goal better than the goal in the EU 2020 strategy, efficient measures are needed.

Poverty in Finland has been reduced only slightly in the 2010s. The livelihood of low-income households has been degraded in recent years by cuts in and freezing of basic income benefits. Changes made to social security benefits between 2012–2015 favoured people in the low-income bracket, whereas cuts made since 2015 have weakened their position.

The purchasing power of basic income benefits has lagged behind the general escalation of costs and is expected to weaken in the coming years as well, unless the cuts being effected are compensated for and the freezing of indexation of benefits are not cancelled.

The economic position of groups relying on basic income benefits has also been exacerbated by tax increases on benefit income. The groups worst affected by the cuts are the unemployed, families with children, and students.



2. What is poverty?

Poverty is relative deprivation

In Finland poverty is mostly relative, that is, deprivation compared with the living standard of general population. Relative poverty is usually referred to using the concept “at risk of poverty”. The limit of poverty or low income is defined as net income that is below 60 % of the national median disposable income of households. A household is poor when its net income is less than 60 % of the average income level of Finns.

The at-risk-of-poverty line in Finland for a one-person household was about 1,200 euros per month in 2016. The number of people in the low-income bracket was 623,000 or 11.5 % of the population.

Risk of poverty can be due to low income, material deprivation and underemployment

The EU also uses an indicator consisting of several factors, named AROPE – At Risk of Poverty or Social Exclusion. It is used to monitor the attainment of the Europe 2020 strategic goal of reducing the number of people at risk of poverty or social exclusion by 20 million by the year 2020.

The AROPE indicator has three components: low income, severe material deprivation and underemployment of the household. Persons or households are determined to be at risk of poverty or social exclusion if any one of the three criteria is satisfied.

In 2016, around 849,000 people, or 15.7 % of the population in Finland, was at risk of poverty or social exclusion. The figure for 2015 was 896,000.

Low-income households comprised around 623,000 persons (634,000 in the previous year), severe material deprivation affected about 113,000 people (ca. 120,000 in the previous year) and households affected by underemployment comprised a total of about 412,000 people (ca. 439,000 the previous year).

Living on income that is not enough to cover the basic needs

Indicators have been devised to describe poverty that are based on basic needs, a reference budget or a minimum budget. These indicators also tell us about absolute poverty – the fact that the minimum needs of nutrition, clothing or housing are not met. Minimum budgets are baskets of goods and services that are calculated to provide the basic necessities for households. The poverty indicator based on a minimum budget indicates the proportion of the population living in households whose disposable income is not sufficient for decent minimum consumption.

The minimum budget limit in Finland for a person living in rental housing alone varies, depending on location, from 1,077 euros to 1,234 euros per month. In 2015, around 471,000 people or 8.7 % of the population were living below the minimum budget.

Poverty also consists of personal experiences

Poverty can also be measured using personal experiences. In 2013–2016, perceived poverty became more widespread in all age groups.

A writing competition was organised in 2006 on the theme of everyday experiences of poverty. One of the submissions described poverty as follows:

Work was replaced by my new friend, Poverty. Having to stand in a breadline is seen as what poverty is about. It isn't. Poverty is about loneliness, when friends disappear and no one asks you to drop by or to go out with you, because you "can't afford it anymore anyway". No one even thinks of asking you anymore. And you wouldn't go anyway, because all you can bring with you is a packet of pasta. It's not about pride, it's just that it's hard to see the others' steaks and wine bottles. A poor person sits at home alone on the couch or stares out the window. When you're poor you don't go out, because you can't afford any hobbies, or even if you could, you wouldn't have the strength because the last couple of weeks without any food have taken their toll... Apart from being poor financially, you can also be poor mentally. When you've lost all your friends, amusements and hobbies, the only thing that's left is the library. You can always try to live a richer life that way. You don't dream about museums or exhibitions, not to mention the theatre. A poor person doesn't even take the local bus.

Children's experiences of poverty were surveyed in the Lapsen ääni 2018 survey conducted by the Save the Children Finland organisation. Targeting 13–17-year-olds, the survey sought to discover their experiences of poverty and associated bullying, particularly in school:

Paying for school books can be difficult sometimes, and my parents can't afford to pay for anything extra like hobbies or clothes.

Mom doesn't have work. We can buy the things that are absolutely necessary, but I feel bad every time I have to ask her to buy school books or something like that, because I know we are hard up. We usually don't buy anything extra, and Mom doesn't buy things for herself either, which I feel really bad about.

EAPN-Fin published a report in 2017 demanding that social and health-care user fees be lowered to a reasonable level and their enforced collection stopped. The report tells of people trying to cope with unreasonably expensive medical expenses.

Long spells in the hospital put a strain on households having to make do with small pensions. One cannot afford expensive medicine and so a new vicious circle begins. A new vicious hospital circle. Such circles should be prevented beforehand.

Health-care fees also figured prominently in the statement on the livelihood of the disabled, issued by EAPN-Fin and the Kuka kuuntelee köyhää poverty network. The statement was released in June 2018 when a bus tour of the European Minimum Income Network, EMIN, was in Finland:

Many people must constantly choose whether to buy bread or medicine, whether to pay a hospital bill or buy a warm coat for winter.

3. How is poverty developing in Finland?

Relative poverty has decreased slightly

In the 2000s, relative poverty was at its peak in 2008 and 2010, when the number of people in low-income households was about 728,000. The increase in the number of low-income population has stopped since 2010, and the number has decreased slightly. It has remained below 700,000 since 2012, and there were 623,000 people, or 11.5 % of the population, in low-income households in 2016.

The number of people at risk of poverty or social exclusion is decreasing slowly

The risk of poverty or social exclusion was at its highest in 2011 and 2014, when over 927,000 people were touched by it. In 2016, the number of people at risk of poverty or social exclusion had dropped to about 849,000, or 15.7 % of the population.

The number of people living under the minimum budget poverty line has been monitored since 2012, when it was slightly under 10 % of the population. In 2015, that figure was 8.7 %, or 471,000 people. The number is expected to remain unchanged until 2017.

The number of people living exclusively on basic income benefits is growing

The number of people living solely on basic income benefits has increased by 55,000 since 2010. The number of people in households where 90 % of their gross income consisted of basic income benefits was 250,000, or 4.7 % of the population, in 2016.

The number of households without any income has doubled

The number of no-income households has doubled in ten years. At the end of 2017, they numbered about 38,700. These are households whose only sources of income are basic income benefits plus possibly housing allowance, child benefits and child support or child maintenance allowance.

The number of undocumented migrants may increase

Undocumented migrants are people who live in Finland without legal right of residence and official approval. They are not entitled to social security in case of sickness or medical treatment, nor do they have comprehensive access to public social and health services. There are 2,000–4,000 undocumented migrants living in 42 municipalities in Finland. Their number may double in 2018, when thousands of asylum seekers who arrived in Finland in 2015 receive a negative asylum decision but decide to remain in the country.

Undocumented migrants have become a permanent phenomenon in Finland. As a result of stricter asylum policy, there will be more people living in Finland without papers. The refusal to allow undocumented migrants access to services and society in general does not remove the problem, but it does force them to rely on legal as well as illegal networks.

Livelihood problems and perceived poverty are increasing

The share of Finns who say they have had to forgo food, medicine or medical care because of lack of funds was 19 % in 2017. Ten percent said they feared running out of food before getting money to buy more.

The growth in the number of payment defaults is also alarming: in 2017, a total of 374,000 people had a record of non-payment. Nearly 400,000 customers of social or health care services had their service user fees collected by way of enforcement in 2016.

Other signals pointing to poverty include the number of people relying on breadlines and requests for assistance received by various NGOs. The number of people relying on breadlines and requests for assistance received by the church welfare services are on the increase.

Figures of poverty in Finland (trend in brackets):

- People at risk of poverty or social exclusion: ca. 849,000 (↓)
- People in low-income households: ca. 623,000, of them in the long-term low-income group: ca. 404,000 (↓)
- People in the minimum budget group: ca. 471,000 (↔)
- People living on social assistance: over 400,000, with one-third of them receiving long-term benefits (↑)
- Number of unemployed: ca. 243,300, of whom long-term unemployed: ca. 73,300 (↓)
- People suffering from material deprivation: ca. 113,000 (↓)
- Children living in poverty: ca. 110,000 (↑)
- Households with no income: ca 38,700 (↑)
- People using food bank services on a weekly basis: ca. 20,000 (↓)
- Homeless: ca. 7,100 (↓)
- Undocumented migrants, estimate: 2,000–4,000 (↑)

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

Basic income benefits are not enough to live on

The level of basic social security is not enough to cover the costs of reasonable minimum consumption. For example, the basic income benefits for an unemployed person living alone covers only around 73 % of the minimum budget. People receiving a guarantee pension are in the worst position among pensioners, since the guaranteed pension is not enough to cover minimum budget consumption. People receiving a guaranteed pension include people with disabilities, for instance.

The situation of people in low-income households worsened in 2016 and 2017 due to cuts made in nearly all social security benefits. The adequacy of basic income benefits has also been weakened by the suspension of indexation of benefits in 2018–2019. Insufficient basic income benefits lead to increasing and prolonged reliance on social assistance and food banks, as well as other consequences.

Housing is too expensive for many people in the low-income bracket

The high price of housing is a key reason for difficulties in making ends meet. The housing costs of low-income households have grown faster than prices in general, while the level of the housing allowance is lagging behind.



The proportion of rent covered by the housing allowance dropped from 80 % to 65 % between 2012 and 2018. As the general level of rents increases on average 2–3 % per year, the growth of housing costs and the reduction of the housing allowance make the situation of low-income households more difficult. Finding a less-expensive home is difficult, especially in centres of growth where not enough affordable housing is being constructed.

Poverty in families with children increases the risk of intergenerational poverty

Statistics from 2016 indicate that poverty in families with children touches 10.2 % of all under-18-year-olds, a total of 110,000 children and adolescents. The number of children at risk of poverty or social exclusion is even greater: an estimated 15 % of all children live in households at risk of poverty or social exclusion.

Poverty is considerably more common in single breadwinner families than in families with two breadwinners. Of all children in single-breadwinner families in 2016, over one in five were in low-income households, whereas the figure for two-breadwinner families was slightly over 8 %.

Around 5 % of children were living in families surviving on basic income benefits alone. The share of under-18-year-olds of all people living on basic income benefits was 22.6 %, or about 56,500 people. Causes of poverty in families with children often includes the parents' poor education, unemployment, fixed-term jobs and prolonged sickness.

Parents' livelihood difficulties have negative impacts on the children's future, and the economic situation of the family can pass on to the next generation. A recent [study](#) shows that 0–2-year-olds are in the most vulnerable age as regards the family's economic disadvantages. The parents' poverty during that period can cause difficulties for the child long into the future.

Nearly three out of four children of parents receiving long-term social assistance had received social assistance themselves, and nearly half lacked any post-comprehensive school qualifications. The same could be seen in the use of specialised psychiatric care and of psychopharmaceutical drugs, criminality and child placement.

Young people without education are most at risk of exclusion

The number of 15–24-year-olds who were neither working, studying nor in military service was about 57,000 in 2017. The number is around 9 % of the entire age group. Most of them, 44,000, were in the age group 20–24.

In 2017, the proportion of young people either unemployed or not in education fell somewhat from the previous year, yet was higher than in 2011 or 2012. In the past five years, the proportion of young men who are either unemployed, not pursuing education or in military service has been higher than among women.

Long-term unemployed are in danger of being excluded from the labour market altogether

The labour market position of long-term unemployed and people with only partial work ability has been subject to several weakening measures the past few years. The last one was the adoption in the beginning of 2018 of an activation model for unemployment security, which reduces the unemployment benefit if the unemployed person is unable to gain enough work or participate in employment-promoting services in any three-month review period.

The impacts of the activation model are most disadvantageous to the partially disabled workforce and unemployed people with long-term illnesses, who in spite of their willingness do not necessarily possess the required capacity to accept part-time jobs or participate in employment-promoting services. Moreover, the reductions in the unemployment benefit will increase the use of social assistance by these groups. That, in turn, will erode their motivation to find employment, because as long as one is eligible for social assistance, additional income will not add to their disposable income, apart from a small exemption on earnings.

Employment-promoting services for the long-term unemployed and the partially disabled have also been weakened. For instance, the support granted for employment projects for producing employment services has dropped 75 % from the 2014 level.

Organisations have traditionally assisted people who have difficulties finding employment or are only partially able to work. The services provided by these organisations are often a first step towards integration into the labour market. The amount and scope of application of wage support grants reserved for these organisations have been declining since 2016, and the amount of employment in these organisations has declined in recent years.

Employment promotion and work ability improvement play an important role in the mitigation of structural unemployment, particularly in the case of those who are most difficult to employ and those with only partial work ability. Because those who are most difficult to employ have been unemployed for a long time, direct employment in the private sector is not necessarily possible, even with wage subsidies.

The increase of atypical employment increases the risk of poverty for the employed

The risk of poverty among the employed in Finland has remained low compared to international numbers. The share of low-income workers in 2016 was 2.7 % of all 18–64-year-olds, whereas the figure for 2015 was 3.1 %. Poverty among the employed is often caused by atypical employment arrangements: self-employment, insecure employment, temping and other irregular work arrangements.

The share of fixed-term employment among all employment relationships was 16 % in 2017. There were 232,000 wage-earners in fixed-term employment in the labour market who had not found a steady job, although they would have wanted one.

The share of part-time jobs was 17 % of all jobs. The figure grew from the previous year, especially among women. The labour market had 104,000 part-time employees who would have wanted to work full-time. Of them, 73,000 were women and 31,000 men.

Poverty that persists in spite of employment is particularly prevalent in families with children. Of all families with children living under the low-income line, nearly one-half had one parent who was employed. The highest risk of poverty was among those families that only had a single breadwinner.

Poverty among pensioners will increase markedly in Finland in the future because of the changing world of work. As temporary, fixed-term and part-time work becomes more prevalent, pension earnings will be smaller.

The income of women has decreased more often and in greater amounts than of men

Changes made by the Government in taxation and social allowances in 2016–2018 have affected women more significantly than men. The disposable income of women has decreased more often and in greater amounts than men's. Economic policy has clearly favoured men. The greatest drawbacks of the reforms and the greatest losers have been in the lowest income levels.

The risk of poverty among women is also heightened by the fact that part-time and fixed-term employment is more common among women than men. Poverty is considerably more common in single breadwinner families than in families with two breadwinners. The risk of poverty is greater when the single breadwinner is a woman.

Low income levels are also more common among aged women than men: in 2016, 24 % of women over 75 were in the low-income class, while the percentage of men was 11 %. There were 485,000 citizens over 75 in Finland in 2016, and of them 93,000, or 19.2 %, were in the low-income bracket.

Inequality and poverty are exacerbated by differences in access to services

The inequality of social and health services is heightened by the disparity in the sizes of service fees between municipalities, and also their general tendency to rise. User fees have been increased for several years now, while the own contribution towards medicine and travel expenses has increased. The planned reform of social and health services in Finland threatens to increase the pressure to raise user fees even more, although they are already higher in Finland than in any other Nordic country.

There are also more difficulties in access to public health services in Finland than in other Nordic countries, and vulnerable people and people in the low-income bracket often remain without services they need.

Transfer of payment of social assistance to the Social Insurance Institution has degraded the livelihood of some groups

The payment of social assistance benefits was transferred from municipalities to the Social Insurance Institution in the beginning of 2017. Those most likely to suffer from the reform are people who not only have problems with their finances but other life management problems as well. Other groups that may suffer are people with poor digital skills, such as old people and mental health patients in rehabilitation.

The poor have to accept food assistance

Food assistance has become one of the most important sources of unofficial assistance in Finland in the 2000s. It is estimated that around 20,000 people have recourse to food banks run by various associations, NGOs and religious communities. There is reason to believe the number of users is rising slightly. Cuts in benefits and increases in service fees are exacerbating the situation of people already in the low-income bracket, and are driving people to take recourse in unofficial assistance.

Causes and consequences of poverty

The underlying causes of poverty often include prolonged periods of unemployment, intergenerational exclusion, low levels of education, families with many children, single parenthood or single living, long-term illnesses or full or partial incapacity for work owing to disability, and problems with intoxicants or mental health.

There are significant regional differences in poverty. Poverty has increased in the last few years, especially in urban areas, where life is expensive and homelessness is more prevalent than elsewhere in Finland. By contrast, unemployment is more common in rural areas, where the coverage of welfare services is not sufficient or not accessible by all.

Undocumented migrants in Finland are not entitled to social security in case of sickness or medical treatment, nor do they have comprehensive access to public social and health services. This is driving them into poverty.

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

Under the Europe 2020 strategy of the EU, Finland should aim to reduce the number of people at risk of poverty and social exclusion by 150,000 to 770,000 persons by the year 2020.

Additionally, under the UN Goals of Sustainable Development and the national implementation of Agenda 2030, Finland should reduce poverty by one-half by 2030.

Commitments and deeds are in conflict

One of the priorities in the 2011 Government programme was “reduction of poverty, inequality and social exclusion”. It was implemented within a cross-administrative action plan. The Government also raised the level of basic income benefits. In the strategic programme of Prime Minister Juha Sipilä’s Government, in power since 2015, poverty is mentioned only once, in the section on foreign policy.

The position of low-income households has been eroded during Sipilä’s Government by reductions in the basic income benefits in 2017 and the freezing of the indexation of all basic benefits up until 2019. Moreover, an indexation reduction was made in basic benefits in 2016. In addition to cuts and the freezing of indexation, the economic position of groups living on basic income benefits has also been exacerbated by tax increases on benefit income.

Families with children are affected by the reduction of the amount of child allowance and the freezing of its indexation. The circumstances of people with illnesses have been affected by raises in the user fees of public health care services and considerable cuts in the reimbursement of medicine costs made in 2016 and 2017.

As unemployment drags on, an increasing number of unemployed people will be forced to rely on labour market subsidies as the period of eligibility to earnings-related unemployment allowance was cut from 500 days to 400. The activation model for unemployment security that entered into force in the beginning of 2018 will reduce the amount of the unemployment allowance by 4.65 % for a considerable number of unemployed people, unless they can find employment or participate in employment-promoting services in the required manner. In April–June 2018, one-third of the recipients of earnings-related unemployment allowance were paid a reduced sum; the share among recipients of reduced unemployment benefits from the Social Insurance Institution was 38 %.

Inequality is increased by cuts in education

The situation of children and young people is made more difficult by cuts in early childhood education, general education and in the youth guarantee. The youth guarantee is an EU policy: its principles were accepted by EU member states in 2013. Finland was initially considered a model country in the case of the youth guarantee, but concerns have been voiced recently by the Commission regarding the sufficiency of the funds and implementation of the programme in Finland.

The situation of students has also been made more difficult by cuts in the study grant: increasingly large cuts were made to the study allowance of university students starting in 2017. The cut may, in some cases, be as much as one-fourth of the student's basic income.

Pillar of Social Rights – promise of stronger rights to citizens?

A proclamation on social rights in Europe was signed by the Council of the EU, the European Parliament and the Commission in November 2017. The aim of the European Pillar of Social Rights is to strengthen the regulatory framework of the social sector in Europe and to guarantee citizens even stronger rights.

The Pillar comprises 20 principles that apply to issues such as equal opportunities, fair working conditions and social protection. The section on social protection defines rights, including minimum income, health care, social housing, assistance for the homeless and access to essential services.

Regarding minimum income, the Pillar states that “everyone lacking sufficient resources has the right to adequate minimum income benefits, ensuring a life of dignity at all stages of life”. The key benefit ensuring minimum income in Finland is the social assistance. It has been pointed out in several contexts that its level is insufficient. As regards minimum income, we may say that Finland does not comply with the Pillar of Social Rights in Europe.

Complaints regarding the level of benefits from the European Committee of Social Rights

In its annual country recommendations to Finland, the EU has not raised the issue of poverty, although in its country report it does remark that the attainment of the goal as regards poverty is challenging for Finland.

However, Finland has received several complaints from the European Committee of Social Rights regarding the insufficient level of basic income benefits.

In the beginning of 2018, the committee issued its conclusions on the 12th report from Finland under the thematic group “Health, Social Security and Social Protection”. The conclusions applied to the situation in Finland in the period 2012–2015. According to the committee, Finland does not comply with all articles concerning the social rights guaranteed in the Social Charter. For instance, the unemployment allowance is inadequate, because it does not cover the basic needs of the beneficiary and remains below the poverty line monitored in the Social Charter.

6. How should poverty be reduced?

Inequality, which is inextricably linked to poverty, has lately been increasingly prominent in public discussion in Finland, not least because of an inequality working group appointed by Prime Minister Sipilä. Various assessments have come to the conclusion that inequality is on the rise in Finland.

However, there have been few actions to reduce poverty and inequality.

For Finland to attain the goals of the Europe 2020 strategy and the UN Agenda 2030 action plan as regards poverty, the circumstances of the nearly 900,000 people currently living at risk of poverty or social exclusion must be improved significantly.

Action plan for the reduction of poverty and inequality

EAPN-Fin presents that in order to reduce poverty and inequality, a comprehensive strategy and action plan should be drawn up. The reduction of poverty calls for determined social policy: improvement of the employment rate and reduction of long-term unemployment, increased production of affordable rental housing, well-functioning social and health services, equal education and an increase to the level of basic income benefits.

Basic social security must be raised to a level that guarantees a minimum standard of living

The size of primary benefits must be increased to prevent the need to apply for social assistance because of the low level of the benefits. Access to basic social security must be made simpler and more flexible so that it will better respond to the changing labour environment, reduce bureaucracy, enhance possibilities to find employment and also enable the employment of people with only partial ability to work.

Diverse measures are needed to combat the poverty of families

Every child must be guaranteed equal opportunities for a good life and for growth. This calls for diverse measures to combat poverty of families with children. All children must have the right to early childhood education. Secondary education must be free. All children must be guaranteed free or affordable opportunities to engage in hobbies. Families must have access to home services – concrete and affordable assistance in everyday life.

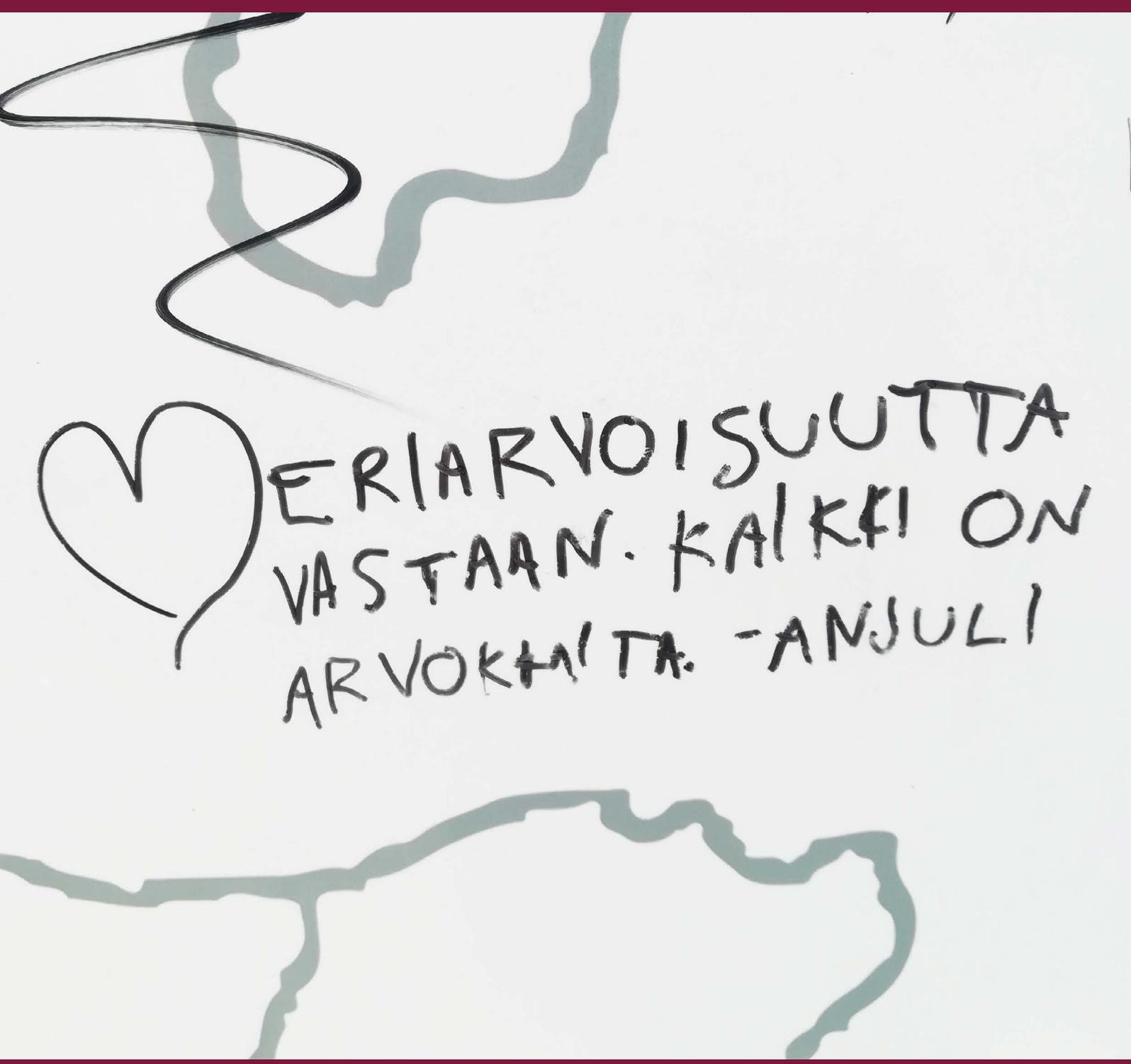
In addition to the level of allowances and benefits, the livelihood of low-income households is affected significantly by high housing costs and the costs of illness, among others.

More support for affordable rental housing

Support for affordable rental housing production is needed not only in the capital area but more importantly in regional centres. A reasonable level of housing allowance must also be ensured.

Increases are needed to employment appropriations and investment in customer-oriented employment and business (TE) services

The planned reform of employment services must be user-oriented and must guarantee equal services for all. Investment in active employment policy is needed as are significant increases to employment appropriations.



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