

# POVERTY WATCH

## POVERTY WATCH REPORT FINLAND 2023

EAPN-Fin  
2023

*The fact that you don't have any money, it wears you down. You have to consider very carefully what you can buy. You're always thinking about what you can and what you can't do.*



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*A heartfelt thank you to everyone who contributed  
to the preparation and updating of this report.*

# Instead of being eradicated, poverty is threatening to increase

This report of the Finnish Anti-Poverty Network (EAPN-Fin) presents a review of statistics and research on poverty in Finland, highlighting the experiences of people in poverty and the views of EAPN-Fin on how poverty might be reduced.

EAPN-Fin is part of the European Anti-Poverty Network, an open assembly of organisations, groups and citizens combatting poverty and exclusion. One key element of the network is that it also includes people who are experiencing poverty, both in Finland and at the European level.

In 2022, the number of people at risk of poverty or social exclusion in Finland was the fourth lowest in the entire European Union\*. While international comparisons indicate that Finland has a relatively low poverty rate and is the happiest country in the world as based on the UN Happiness Index, more than 15 percent of the population is at risk of poverty or exclusion, struggling every day to make ends meet and live a life of dignity on a low income.

This report was compiled in September 2023, a period of transition as Finland got a new Government in summer 2023.

The previous Government, under Prime Minister **Sanna Marin** (2019–2023), aimed to reduce poverty and inequality, and drew up an action plan to combat poverty and social exclusion. The Government took concrete poverty reduction action in spite of the Covid-19 pandemic: the level of basic social security benefits was raised and temporary extensions and additional increases were made in social security.

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\* The data are from Eurostat. The year supplied in Eurostat statistics is the year when the data was collected. Statistics Finland uses the year when the income was earned, which is the year of data collection minus one year.

The programme of Prime Minister **Petteri Orpo**'s Government includes many proposals for cuts in social security and erosion of working conditions. The programme is being implemented at a time when the cost of living has been rising for more than a year and unemployment has begun to increase as well.

Many poverty indicators do not yet show signs of the potential increase in poverty resulting from the rising cost of living. At the time of writing, no in-depth assessments of the impact of the Government's social security cuts have been made, especially regarding their accumulation on specific groups.

EAPN-Fin stresses that people with experience of poverty must be heard and their views must be taken into consideration when policy decisions are made. An equal society needs the contribution of people who have experienced contemporary poverty, as decision-makers, researchers and experts.

The quotes in this report are all by people who have experienced poverty, describing their own life.

**Poverty affects everything in life. When you have to keep calculating which foods and which medicines you can afford, whether you can pay a bill now or need to ask for more time. I am controlled by the TE [employment] Office and KELA [Social Insurance Institution], and although I'm 48 I feel I'm not a sovereign adult individual. Sometimes the most frustrating thing is the sheer lack of options – I don't necessarily want to travel abroad or even buy a better bed, but what I can't stand is that there's no point in even fantasising about things that are not absolutely necessary, it just makes me feel depressed.**

## How is poverty described, defined and measured?

### **Minimum income is guaranteed by the Finnish Constitution and international treaties**

The Finnish Constitution provides the right of citizens to minimum income security. International human rights treaties also obligate societies to ensure an adequate livelihood for all. These treaties include the UN Covenant on Economic, Social and Cultural Rights, and the European Social Charter. They are legally binding on Finland.

The UN Committee on Economic, Social and Cultural Rights (CESCR) defines poverty as a human condition that is characterised by sustained or chronic deprivation of the resources, capabilities, choices, security and power necessary for the enjoyment of an adequate standard of living and other civil, cultural, economic, political and social rights.

### **Different indicators of poverty should be used in parallel**

There are various concepts and indicators for defining poverty, each yielding figures for the number of people experiencing or being at risk of poverty. This applies to the measurement of relative poverty, that is, poverty compared to the standard of living of the rest of the population: the poor are those who do not have the resources to attain the minimum standard of living defined as adequate in a given society.

Relative poverty is often perceived as consisting of material deprivation that reduces the individual's ability to function socially, their opportunities to participate in society and in consumption in a generally accepted manner. Absolute poverty, on the other hand, jeopardises even the satisfaction of basic biological needs and physical functioning.

Different poverty indicators give different results on the prevalence of poverty and its distribution across different population groups. A more accurate picture of poverty is obtained when results of different indicators are examined in parallel.

Researchers at the Itla Children's Foundation point out that poverty cannot be measured comprehensively because there is no watertight definition of poverty in existence. Indicators are always associated with some specific definition of poverty. Itla itself describes the prevalence of child poverty with three indicators: low income, receipt of social assistance, and perceived difficulties in making ends meet.

## Poverty indicators

**Poverty threshold/low-income threshold:** This is 60 percent of national median household disposable income. A household is defined as poor or at risk of poverty if its net income is less than 60 percent of the median income level of the population. The threshold is also known by the acronym AROP (At Risk Of Poverty).

The AROP threshold has been described as being arbitrary, and it cannot be logically derived from the definition of poverty. How the poverty threshold is defined affects the perception of the incidence and distribution of poverty.

Coupling of the poverty line with median income can lead to anomalous results. The outcome can be affected by fluctuations in the economy in particular. That is what happened during the 1990s recession: The sudden spike in unemployment led to a lowering of the median income, and as a consequence the poverty line fell as well. As a result, the AROP rate fell, although the disposable income of low-income earners was reduced and their living standard declined. Moreover, the AROP indicator does not take into account differences in compulsory expenditure, such as housing expenses, which is significantly higher in cities than in the rest of the country.

**Persistent AROP indicator:** the individual has been in the low-income bracket during at least two of the previous three years.

**Rate of low-income earners:** the proportion of the population earning a low income.

**At-risk-of-poverty-or-exclusion due to low income, severe material and social deprivation or underemployment:** This is the so-called AROPE indicator, At Risk of Poverty or Social Exclusion. A person or a household is at risk of poverty or social exclusion if they meet one or more of the following criteria: low income, underemployment, or severe material or social deprivation.

This indicator is used to assess the attainment of the EU 2030 poverty reduction target defined in the Action Plan of the European Pillar of Social Rights.

**Severe material and social deprivation (SMSD) rate:** This indicator refers to an enforced lack of the necessities of life. It expresses the percentage of population who lack at least

seven items out of the thirteen items that pertain to material and social deprivation. Seven of these items relate to the household and six relate to the individual. These items include such things as the ability to cope with unexpected expenses, having a meal with meat, fish, chicken or vegetable protein every second day, and having an internet connection.

**Material deprivation of children:** the household is unable to afford the basic necessities of a child's life, such as two pairs of shoes or school excursions. This is measured using thirteen different indicators.

**Minimum reference budget as indicator of poverty:** This indicates the proportion of the population living in households whose income is insufficient to meet minimum reasonable consumption. The number is estimated using a basket of goods and services that are considered essential. The price of the basket can provide a decent standard of living. Reference budgets describe what people ought to have, not what they do actually possess.

Reference budgets that reflect the minimum level of consumption necessary for social inclusion are used as yardsticks of adequacy in the quadriennial evaluations of basic social security conducted in Finland.

The poverty rate produced by the reference budget indicator is regularly lower than the one produced by the AROP indicator, which tends to remain more or less unchanged even when prices change. This became apparent in spring 2022 in Finland, when prices began to rise rapidly. Because the reference budget was adjusted to reflect the price increases, the indicator was capable of detecting the changing incidence of poverty in the country.

Because it is based on reference budgets, the minimum budget poverty indicator has limitations. Reference budgets apply to the situation of people with no long-term illnesses and make no allowances to large expenses incurred by illness.

**Personal experience of financial difficulty:** This is a subjective indicator of how easy or difficult a person finds it to make ends meet. The adequacy of income relative to necessary expenditure is assessed by the individual themselves.

**Household with no income:** This refers to households that have no other income except basic social assistance plus possibly housing allowance, child benefit, alimony or child support.

**Entirely dependent on basic social security:** More than 90 percent of the household's gross income consists of basic social security benefits that for the most part are non-earnings-related transfers. Sickness and parental allowances are exceptions. Social assistance is also considered a basic security benefit.

In addition to indicators, **requests for help from NGOs and parishes** are also signs of poverty.

## Poverty also consists of personal experiences

Who is poor? A survey conducted by the EAPN-Fin Citizens' Action Group in autumn 2023 produced the following definitions:

**When you are left with less than 300 euros per month in hand after expenses.**

**Someone who is left with less than 200 euros per month after paying rent, phone, home insurance and any commuting expenses.**

**There are different levels of poverty, of course, but generally speaking, a person is poor who does not have enough money to meet basic needs or whose financial viability is constantly under threat and/or the person is in need of external assistance.**

**Poverty takes many forms. I feel we are a very poor family financially. I don't know how I will be able to dress my teenager for winter, or make arrangements for Christmas. Our income will fall even lower next year. Thanks to the new Government.**

**When you sometimes have to think which basic foodstuffs you have to give up to afford the medicines you need, or when you have to forgo buying medicine to put food on the table for the children.**

## How has poverty developed in Finland?

A report on the wellbeing of Finns (*Suomalaisten hyvinvointi 2022*) provides a summary of poverty trends from 2015 to 2022. It shows no major changes in poverty as measured by various indicators:

- The figure from the AROPE indicator was the highest. Although it fell slightly, it nevertheless remained around 16 percent
- The lowest figure was from the indicator of people whose disposable income fell below 40 percent of the median. They accounted for around 2 percent of the total.
- Low-income rates increased slightly over the survey period.
- There was a slight reduction in the proportion of the population experiencing difficulties in making ends meet.
- The minimum budget poverty rate was slightly lower at the end of the period than at the beginning.

When poverty is examined using different indicators, the largest differences in poverty distribution across groups are in the poverty rates of elderly citizens and pensioners. The low-income indicator suggests that a great number of pensioners belong to the low-income bracket, but the minimum budget indicator tells a different story. This is due to several factors, such as assumptions on housing costs, in particular the fact that the elderly tend to live in owner-occupied housing, and also the fact that the guarantee pension is on the same level as the minimum budget.

### Figures for poverty in Finland, with trend in parentheses:

- 2021 Number of people AROPE: approximately 894,000 (+ 117 000), or 16.3 percent of the population.
- 2021 Number of people in low-income households: about 719,000 (+), or 13.2 percent of the population. The low-income threshold for a one-person household was about 1,350 euros per month.
- 2021 Number of children in low-income households: about 121,800 (+)
- 2021 Number of long-term low-income earners: 421,600 (+)

- 2022 Percentage of the population who are poor as shown by the minimum budget indicator: 7.3 percent
- 2022 Households with problems or severe problems to cover basic needs: 6.1 percent of all households (+)
- 2022 Number of people receiving social assistance at some time during the year: 405,000, or 7.2 percent of population. (–) Of these, 29 percent received support for more than 10 months.
- 2022 Households with no income: 8.6 percent of social assistance recipients (+)
- 2021 Number of people fully dependent on basic social security: 241,200 (–); number of people dependent on basic social security for four consecutive years: 103,700 (–)
- 2021 Number of people living in households experiencing severe material and social deprivation: appr. 105,000, or 1.9 percent of household population
- Approximately 100,000–200,000 people have recourse to food aid every year. However, the number of beneficiaries is higher indirectly, because family members and others also benefit from the aid. In recent years, around 20,000 people have collected food aid every week. During the Covid-19 pandemic, the number of recipients is estimated to have doubled or tripled (+)
- 8/2022 Number of unemployed jobseekers: 239,100 (–), of whom long-term unemployed: 92,300 (–)
- 8/2023 Number of unemployed jobseekers: 249,500 (+), of whom long-term unemployed: 90,800 (–); unemployed jobseekers' share of the labour force: 9.4 percent
- 2022 Number of homeless people: 3,686 singles (–); long-term homeless people: 1,133 (–); homeless families and couples 155 (–). Homelessness among young people and women increased in 2022.

## Who are the people affected by poverty, and why?

There are many factors that can lead to poverty, such as prolonged unemployment, intergenerational deprivation, low educational attainment, having multiple children in the family, lone parenthood, living alone, total or partial incapacity for work caused by prolonged illness or injury, as well as substance abuse and mental health problems.

**Inadequate basic social security** causes poverty: the level of basic security paid to a person who is unemployed, sick, or on parental leave, is not enough to cover the cost of the reference budgets.

**High housing costs** are a key cause of financial difficulty. Tenants, and low-income earners in particular, pay relatively more for housing than other people. The OECD estimates that the affordability of housing declined in Finland between 2004 and 2021, and is currently the fifth lowest of all OECD countries. The cost of housing is a major factor determining the adequacy of basic social security benefits.

**Digital exclusion and poverty go hand in hand.** An increasing proportion of services today are digital, not only commercial services but also public services that are often vital for citizens, but not everyone is able to access them. Not all people can afford smart devices, some need guidance and advice on how to use them, and for some the devices are inaccessible because of cognitive or other challenges. The variety of circumstances and needs are not taken sufficiently into account in the digitalisation of services.

**Being partly an outsider because you can't attend paid events, buy gifts, etc. Interaction with others and cultural and social activity suffer when you can't afford to buy a new phone + computer.**

**Underuse of social benefits** increases poverty. The risk of exclusion increases if a person does not seek support when they need it. When financial difficulties pile up, the result can be eviction, spiralling debt owing to payday loans, or even divorce. Underuse is a problem especially in the case of social assistance.

**Women's poverty** is exacerbated by their lower wages and greater caring responsibilities than men, and women are more likely to have a part-time or temporary job. Consequently their employment pension is smaller than that of men. The female-dominated service and care sectors were also hit hardest by the health risks and economic hardships caused by the pandemic. Women were also worn down by their caring responsibilities during the crisis, as the pandemic shifted more responsibility to households.

**People living alone** are more likely to be at risk of poverty or social exclusion than those living with a partner. An additional economic burden for one-person households is that people who have been living alone for a long time are more likely to be renters, and increased cost of housing is passed on to them. The problem is not only low income but also high living expenses. The current system of social protection does not adequately meet the needs of solo dwellers, who numbered 1.3 million in 2022. Finland's population in 2022 was around 5,560,000.

**Being a carer** is a poverty risk. The illness of a family member can exceed the family's financial resources and effectively exclude the carer from the labour market. Not all carers receive carer's allowance, nor does the allowance necessarily cover the costs of caring for a relative or the carer's loss of income. Families that are in a weak financial situation already prior to the illness are particularly vulnerable. It is estimated that there are around 350,000 family care cases in Finland. Of these, 60,000 are demanding cases that require extensive commitment.

**Prisoners** constitute one of the most disadvantaged and poorest groups in society. The prison population has disproportionately high levels of social and health problems, such as prolonged illnesses and substance abuse. Nearly all prisoners have experienced physical violence, and one third are victims of economic violence. Ever fewer prisoners consider themselves able to work. Almost nine women and eight men out of ten have come to prison from outside the world of work. Around one fourth of all prisoners are heavy users of social and health services also outside prison.

## 4.1 Child poverty

### Poverty undermines the wellbeing of families with children

According to the latest income distribution statistics, about 121,800 children, or 12 percent of all children in Finland, lived in low-income families in 2021, but the actual figure is estimated to be higher. For example, the Social Insurance Institution (Kela) and Itla Children's Foundation estimated in autumn 2022 that the rising prices had increased the number of poor families by 16,000. This means a significant increase in the incidence of child poverty.

Calculations made by SOSTE Finnish Federation for Social Affairs and Health in autumn 2023 indicate that the Government's planned social security cuts would increase the number of children experiencing poverty by 12,700.

Child poverty is a violation of children's rights and prevents the full realisation of human rights. It undermines in many ways the wellbeing of poor families and the children living in them. Its negative effects are not limited to the present moment and can be felt long into the future.

Poverty affects many aspects of a child's life: material wellbeing, opportunities for participation, psychological wellbeing, and social relationships.

Mental health problems and increased malaise, both in childhood and later in adulthood, are linked to childhood experiences of poverty. There is also a link between poverty and child protection measures: municipalities with more families receiving social assistance have more children placed outside the home.

School performance is affected by the pupil's family background. This is problematic, not least because education is one of the key factors in preventing intergenerational exclusion and deprivation.

In children, material deprivation manifests as lower life satisfaction. Lesser participation in guided leisure activities and dissatisfaction with the number of friends are also factors associated with poverty.

**Sometimes I notice that mum avoids buying some specific products.**

**I hear mum saying that she's received a notice about unpaid bills and that we must use less water. So I try to shower less and I hardly ever drink water at home.**

**It's difficult to buy essentials like clothes and hot food every day.**

**There's so much more stress and you have to cook so that there's food left over for another day.**

**Can't attend sports because petrol is too expensive.**

**Even important things like glasses are difficult to afford.**

### **There are many underlying causes in child poverty**

Although child poverty is found in many types of families, certain factors increase its risk. Lone parenthood is one such factor: around 26 percent of single-parent households are affected by low income, compared to 7 percent of two-parent households.

In 2022, just under 4 percent of people living in two-parent households had difficulty covering necessary expenses with their income. The figure for single-parent households was 18 percent. The situation declined from the previous year, when the figure was 13.9 percent.

In addition to lone parenthood, other factors potentially increasing child poverty include multiple children, parental illness, and separation. Children from an immigrant background are almost four times as liable to live in a low income setting than children from a Finnish background. Depending on the country of origin, the poverty risk can be up to six times higher. Breaking the intergenerational cycle is especially important in the case of children from immigrant backgrounds.

Unemployment is also one of the background factors of poverty in families with children, although employment is relatively common in poor families with children. This means that child poverty cannot be solved with employment measures alone, although they are important.

**Mum just split up with dad, and now she'll become a single parent, so I'm worried about having enough money.**

**My mother can't work because she's ill, we have barely enough money for food, and when we run out, we live on frozen food.**

### **The Covid-19 pandemic made life difficult for families with children**

It is estimated that more than 100,000 children are affected by payment defaults. Indebtedness can lead to all kinds of complications such as mood disorders, stress, and bullying. The effects of the pandemic can be seen in families' own assessments of the causes of their indebtedness: the pandemic affected businesses, it led to lay-offs, reduced employment, and also caused prolonged physical symptoms.

The pandemic led to all kinds of difficulties for families with children, over and above indebtedness. It led to financial and welfare problems especially for families that had already had problems before the pandemic.

The greatest relative drop in earnings occurred in families where the parents had a second or primary level degrees. Wage losses during the pandemic were higher in families where the youngest child was under 7 years of age. Income growth was slightly weaker in families with young children, even taking benefits into account.

## **Factors affecting the risk of child poverty include gender and origin**

An intersectional analysis of child poverty reveals how vulnerability is increased by certain factors. Female lone parenthood is one of the principal risk factors for poverty. In 2022, just under 10 percent of female lone-parent households received social assistance; for married or cohabiting couples with children the figure was 6.8 percent. The situation is worst for children living with a single mother.

Immigrant background is associated with higher use of social assistance and basic social security, particularly among those born outside the EU. Child poverty is strikingly common in this group. When the migrant background is compounded by lone parenthood, the risk of poverty increases. Lone parenthood is more common among people from an immigrant background than among the general population.

In addition to gender and origin, poverty can also be considered from the perspective of disability or sexual orientation, and by looking at several factors at once. As we know that disability is associated with poverty, we may ask how high the risk of poverty is for a family of a disabled lone mother compared to a family with two non-disabled parents.

Several indicators show that young people in gender and sexual minorities fared less well both before and after the pandemic. Combine this with low income and an immigrant background, and the situation can become even more alarming.

## **Poverty is widespread among young adults**

The AROPE rate for young people aged 25–34 was about 27 percent in 2021. The increase was largest for those living long-term on basic social security: In 2021, their share was 18 percent, compared to 12 percent in 2010. By contrast, the unemployment rate for 15–24 year olds fell in 2022 by 2.9 percent to 14.2 percent.

In 2022, about 45,000 young people aged 15–24 were unemployed or not pursuing education nor in military service, which accounted for 7 percent of the age group. Both the number and the percentage was the same as the previous year.

Asked about their views on social security, young people considered their financial situation during studies unstable, and financial support limited. Low confidence in one's ability to support oneself, either as wage earner or through self-employment, is reflected as concerns over one's own livelihood or that of one's family, yet livelihood concerns are less likely to be reflected in expectations concerning pleasant things to come or the realisation of dreams.

Loneliness is more common among the poor than among the economically secure. It is common among 16–24 year olds: just under 40 percent of the age group felt lonely all or most of the time. This is the second highest proportion, right after people aged 85 and over. Increased loneliness among young people is one of the consequences of the pandemic.

Life satisfaction declined during the pandemic for all young people, but particularly for those belonging to gender and sexual minorities. Young people who were more vulnerable than their peers even before the pandemic, such as individuals signed out of child protection institutions or in mental health recovery, felt that the pandemic had undermined their sense of security and worsened their coping and access to support.

As regards earnings development, the pandemic had a particularly negative impact on 18–29 year olds living with parents. Differences in young people's economic situation grew even more polarised due to the measures taken to contain the pandemic, with the share of young people feeling their economic situation is excellent and that of those who feel it is poor have both increased significantly. The economic situation has worsened particularly among those with lower incomes and in precarious employment.

**All expenses go up, electricity transmission fee goes up, housing benefit should be raised like all other benefits, such as child allowance, when it stops at the age of 17, the child is still dependent on you. Study assistance is a ridiculous reward for wanting to study, you must borrow money anyway and still there's not enough after paying the bills. I'd like to see just one MP live a month on minimum wage. But none of them dare try to live even.**

## 4.2 Poverty among the unemployed

### Unemployment is the most common cause of poverty

In 2020, nearly 20 percent of the labour force was either unemployed, frustrated in their job search, or underemployed. These people were not using their full potential and were at risk of losing their skills and motivation over time. In August 2023, there were 249,500 unemployed jobseekers in Finland. Of them 90,800 were long-term unemployed. The number of unemployed people increased from the previous year. Jobseekers accounted for 9.4 percent of the entire labour force.

As unemployment becomes protracted, income falls and the risk of poverty increases. The probability of prolonged unemployment grows the older the jobseeker is. According to the Evaluation of Basic Social Security report, the income level of an unemployed person receiving basic unemployment allowance is not enough to cover consumption on a reasonable minimum budget.

Unemployment leads to an average reduction of 23 percent in household disposable income, or around 570 euro per person per month. Relative income losses are highest among young people.

Of households that got social assistance at some point in 2022, about 43 percent received either labour market support or basic unemployment allowance. In November 2022, about 68 percent of the recipients of social assistance were unemployed.

Of all people living in 2021 exclusively on basic social security, 48 percent were in households whose main source of income was basic unemployment allowance or labour market support. The corresponding figure for 2010 was about 38 percent.

Parental unemployment is the most significant cause of child poverty. It is often due to the carer's limited education, changes in working life, and immigration background.

The unemployed see poor health and age as the main barriers to employment. According to an interview survey conducted by the Central Organisation of Finnish Trade Unions (SAK), a clear majority of the unemployed have difficulties in making ends meet.

The majority of unemployment security expenses go towards securing the recipients' livelihood. Much less money is spent on services to assist the unemployed to return to work.

Unemployment is more than just reduced income. For example, occupational health care is free for earners, whereas those relying on public health services often have to pay user fees.

There are large geographical differences in the provision of and referral to health checks for the unemployed. Less than 10 percent of unemployed persons have had health checks in 16 out of the 22 wellbeing services counties. Many unemployed people are not aware of their right to receive a health check, nor are the counties making enough effort to tell them about it. The content of the health checks vary, as does the quality of care and rehabilitation pathways.

The situation of unemployed people with a *de facto* incapacity to work is particularly difficult: they are easily trapped in benefit spirals whilst suffering from illness. The group is difficult to define. However, its "core" consists of people who have used the maximum period of sickness allowance but have not become entitled to invalidity pension. In such cases, their income is ensured with out-of-work benefits or social assistance. Estimates of the size of the group range from 2,000 to 7,500 individuals.

**Illness, unemployment and poverty. It's a mess you can't get out of.**

I don't know how much longer I can live with only about 200 euros of basic social assistance left in hand after paying debts and housing.

I can't afford any hobbies, but neither would I be able to afford the bus ticket to go.

Living in poverty like this is not worth living. The only thing that keeps me alive is the hope that things might change some day, that I might get a job.

They should stop blaming the unemployed [for their predicament]. And when they pay out benefits they should realise that you must use a computer and a smartphone when you're looking for a job, the updates and the software become outdated, monthly subscriptions cannot be deducted as expenses when you're looking for a job, only people who have a job are entitled to basic deduction, why not jobseekers?

It's just like the 1990s all over again, when I was young and couldn't get a job no matter what I tried. Now, once I was made redundant, it's impossible to get a job, and health problems and age are also piling on. Rents have gone up and so have other living expenses, it seems pretty hopeless.

### 4.3 In-work poverty

#### Not everyone earns enough to get by

The number of people in Finland is increasing whose earnings are not enough to live on. It is estimated that there are 200,000 of these so-called working poor in this country. Many are on low wages. Many work part-time and are not assigned extra hours, even if they are willing to work them. Many have debts. Lone dwellers and single parents in particular are hard hit by high housing costs.

In-work poverty is caused by irregular and precarious employment, such as casual and temporary jobs and self-employment.

In 2022, some 488,000 people were in a part-time job, accounting for 19 percent of all employed people. Part-time employment is more common among women than men. The number of part-time employees increased by 14,000 from the previous year. Of all part-time employees, 416,000 were wage earners, which was 31,000 up from the previous year. Of female wage earners, 24 percent worked part-time; the figure for men was 12 percent.

In 2022, one in four of part-time employees would have wanted a full-time job.

**The mood seems to have toughened recently. You seem to be hearing more often that poverty is your own fault – that you're too lazy or stupid. That's increased my anxiety about**

my own situation. I have a university degree, yet I work part-time in commerce, and I can't live on my salary. I'd like to work more, but it's difficult because of mental health problems. Living in Helsinki is expensive, but it's the only place that has jobs in the field I'm applying to. It's a very stressful situation and undermines your confidence in the future.

#### 4.4 Pensioner poverty

##### **A major underlying cause of pensioner poverty is the cost of being sick**

The AROP rate of pensioners has been falling for a long time due to their relatively higher pensions. In 2020, the rate lay at 14.8 percent. Of people aged 75 and over, 18.5 percent were at risk of poverty.

In 2021, the proportion of pensioners in all socio-economic groups who were at risk of poverty or exclusion was 17.3 percent. The number had increased since 2020, when the figure was 15.1 percent.

Although the low-income rate of pensioners has dropped, one quarter of all pensioners nevertheless felt in 2020 that, after essential expenses, they did not have enough money left over to live on. Around 10 percent had even more severe financial problems: for example, almost 4 percent had often had to forgo health care.

However, the prevalence of perceived financial difficulties is lower among pensioners than in the rest of the population. They are more common than average among pensioners aged 55–85 who feel their health is weak, who belong to the lowest income bracket, who are tenants, and lone dwellers.

Low income is clearly more common among elderly women than men: the low-income rate for women aged 76 and over was 22.7 percent in 2020, while the figure for men was 11.6 percent.

The median gross pension at the end of 2022 was 1,845 euros per month: 2,070 for men and 1,658 for women. Women's average pension is about 412 euros per month less than that of men.

Health spending is particularly damaging to people over 75 and for those on disability pension, who have the highest risk of falling ill. Among other things, this is reflected in the receipt of social assistance by old-age pensioners: considerable fewer of them receive assistance than the rest of the adult population, but typically it is specifically used to pay for health care and medicine. In 2021, just 1.7 percent of people over 65 received social assistance, whereas the figure for the rest of the population was 7.7 percent.

The biggest problem for elderly people now and in ten years' time is the low level of pensions. That is the answer of 44 percent of respondents to the survey *Huomisen kynnyksellä* (On the threshold of tomorrow) that charted the attitudes of 55–84 year olds on problems of the elderly in Finland. The size of one's pension ten years from now was considered a problem by 28 percent of the respondents. Financial difficulties are felt to be the biggest current problem by 24 percent of respondents, but 27 percent expect them to be a big problem in ten years' time.

Assessing the situation of pensioners, it is important to remember that pensioners are generally unable to improve their financial situation by working. It is also important to take into account the costs of being sick and the increased need for services.

**An 80-year-old lady pensioner says it's very handy that pills have a line in the middle so you can easily halve the expensive medicines you use.**

**When you've been an entrepreneur for decades, it's impossible to foresee how your income collapses when you retire.**

**You won't get any benefits if your pension is just enough to disqualify you from the housing benefit. You can't cope with rents in the capital region.**

**What saddens me most in poverty is that you miss out on so much, even when there are things that are free. You have to try to live in the centre because you can't afford a car, and public transport is poor and expensive. You always have to think about money first, it's very stressful in the long run, especially for pensioners who can't even hope for anything better.**

## **4.5 Poverty among people with disabilities and long-term conditions**

### **Illness or disability can weaken one's economic status for many reasons**

In 2021, people whose functioning ability is somewhat or seriously diminished, had a higher AROPE rate than others: 18.5 percent, whereas the figure among fully able people was 12.5 percent. Much of the former group's income came from social benefits.\*

Poverty risk is exacerbated by the fact that it is very difficult for people with impaired capacity to find work in Finland. If a person cannot find work because of disability or ill-

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\* The data are from Eurostat. The year supplied in Eurostat statistics is the year when the data was collected. Statistics Finland uses the year when the income was earned, which is the year of data collection minus one year.

ness, they will live their entire life on guarantee pension, housing benefit and possibly social assistance, a lifelong descent into poverty.

The financial situation of disabled people is aggravated if they do not receive enough personal assistance and are forced to buy more privately. For example, personal assistance from the public sector is not enough to enable a disabled entrepreneur to cope with all work-related tasks. This in turn makes it harder to earn a living.

The risk of poverty among the sick and the disabled is also affected by the fact that, in terms of access and use, the health system in Finland is one of the most unequal among wealthy societies. Finland spends less on healthcare than EU countries on average. Client charges account for a larger share of health service funding than elsewhere. People in Finland have more unmet health and dental care needs than many other countries in Western Europe.

This has led to high levels of health inequality: health and longevity vary by socio-economic status, gender, marital status, area of residence and mother tongue, for example. Differences between socio-economic groups are striking.

People who do not have access to occupational health or cannot afford private services have difficulty getting access to services and must queue for long periods of time. There are significant differences in access to services across the country.

### **Health services and medicines are too expensive for many people**

The *Healthy Finland* survey conducted by the Finnish Institute for Health and Welfare (THL) in autumn 2022 and spring 2023 showed that 18 percent of men and 23 percent of women have had to cut back on food, medicine or medical treatment because of lack of money. This corresponds to about 900,000 adults resident in Finland. Young adults in particular reported having had problems to make ends meet.

According to a survey among SOSTE members, 33 percent of respondents had experienced financial difficulties in buying prescription medicine or over-the-counter drugs.

In 2022, nearly 490,000 clients of social or health care services had their out-of-pocket fees collected by way of enforcement. Many people postpone going to the doctor for fear of the cost, and they save money by taking medicines less often than prescribed.

A survey of medication decisions revealed that just under one third of the responding physicians had been in a situation at least once a month where they could not write a prescription for a patient because the patient said they would not be able to afford the medicine. Just under half of the doctors had experienced at least monthly situations in

the preceding six months where a patient had neglected to buy medicine due to lack of money.

According to the Medicines Barometer population survey, just over 10 percent of respondents have financial problems in obtaining medicines. This may be more common among patients who need treatment, as 40 percent of doctors said they encountered such situations on a monthly basis.

**A disabled person living on guarantee pension will have to weigh almost every day whether to buy food or medicine. Will I be able to pay the phone bill? What if something unexpected happens, if I have to go to the hospital or the fridge breaks down? How can I cope with this constant uncertainty?**

**You can barely afford to buy the medicines, and sometimes you must skip taking it.**

**For people with prolonged conditions, it's totally unreasonable to reset all health care payment caps at the turn of the year.**

**Even 50 euros can be too much for someone with a small pension. Then you face a choice: it's either grocery or pharmacy.**

**You can't afford to buy clothes, you must stand in line at the food bank, you can't afford health services, you can't see the dentist, it's expensive, out-of-pocket fees for public services are a heavy burden if you need often to see the doctor and have tests.**

## **4.6 Poverty among immigrants**

**Poverty is more common among people from immigrant backgrounds than among the general population**

Immigrant poverty is a complex and varied problem. Although immigrants bring to us diversity and new opportunities, they often face barriers to integration. Those who arrive as refugees or asylum seekers are often the most vulnerable economically.

The causes of poverty among immigrants are related to discrimination, challenges in finding work, and lack of access to support services.

In 2019, the share of foreign-born people aged 18 and over who are at risk of poverty or social exclusion was 24.9 percent, while that of those born outside the EU was 29.9 percent. Families with children from immigrant backgrounds are particularly vulnerable to poverty. This is discussed in greater detail on pages 14–15.

According to statistics from the Social Insurance Institution, the number of foreign-language speakers is proportionally higher among the recipients of some benefits, such as unemployment benefit and benefits for families with children, than in the population as a whole.

The employment rate is lower among people from immigrant backgrounds than among those from Finnish background, but the gap is narrowing. In 2022, the employment rate of women from immigrant backgrounds rose to 68 percent. Especially the employment rate of women born outside the EU27 has improved rapidly.

“People from immigrant backgrounds” is a term used to denote people whose parents (or only known parent) were born abroad. This definition also applies to people who were born in Finland. If one of the parents was born in Finland, the person is defined as being from a Finnish background. In 2022, there were 508,000 people from immigrant backgrounds in Finland, or 9 percent of the population.

People from immigrant backgrounds face a wide range of challenges to employment, including deficient language skills and lack of social networks and skills. In addition, cultural differences, such as unequal distribution of caring responsibilities, can increase migrants’ vulnerability vis-à-vis employment.

Migrants have been and remain at risk of homelessness, but in 2022 there were only 621 homeless immigrants in Finland, which is fewer than in the previous year.

Undocumented people are particularly vulnerable, because they often live in poverty, in poor conditions, and without access to services. Many would like to work, but it is not possible. Their daily lives are overshadowed by insecurity and they are vulnerable to exploitation. Undocumented migrants are people who live in Finland without legal right of residence and official approval. It is difficult to estimate the number of undocumented people or people in similar situations.

### **For many people, racism reduces their opportunities to participate in society**

The risks of exclusion for people from immigrant backgrounds result from many factors. Refugees and asylum seekers are often in the most vulnerable position. Racism and discrimination prevent many people from getting an education and finding work. According to a survey published by the Finnish Institute for Health and Welfare in 2020, nearly 40 percent of people from immigrant backgrounds had experienced discrimination during the preceding 12 months.

The Non-Discrimination Ombudsman has said that racist discrimination is an alarmingly widespread phenomenon in Finland. It affects a person’s ability to make a contribution to

Finnish society. For many people, racism reduces their opportunities for equal participation, for example as regards employment, housing, and education. It also has a broad impact on the quality of life, mental health, and wellbeing.

### **People are not always aware of services**

Moniheli ry, a Finnish network of over 100 organisations, has found that people from immigrant backgrounds are not always able to articulate their needs or are not aware of Finnish services. Immigrants can be prejudiced against services. For example, when the Ukrainian crisis started, immigrants who came to Finland did not reach out to employment services.

If the service sector in a person's country of origin is different, inefficient, or corrupt, their trust in the Finnish system will not be automatic. This can also be due to a lack of digital skills or a lack of social orientation.

**Many people come in the hope of finding a better life, but we often forget that poverty is not just a lack of money, it is also lack of equal opportunity or rights.**

# Poverty is increased by the rising cost of living and austerity

## Rising prices have already led to more poverty

Prices rose rapidly in 2022 and have continued to rise since then, albeit at a slower rate. This has a large impact on the finances of low-income earners.

In the second half of 2022, researchers estimated that price rises had increased the poverty rate by 2.5 percent, which translates to about 62,000 more households in poverty. The poverty line used in the calculation was the reference budget.

A little earlier it was estimated that a 10 percent rise in food and fuel prices could push 8,000 new families with children into poverty, which would mean 13,000 children. This included children in lone-parent families as well as in extended families. Families with children spend a significant part of their income on food, housing, and energy.

The second highest impact of price increases is on single-person households. The lone dweller in greatest risk of poverty is one who loses their job. Households of two persons both of whom are employed seem to be able to sustain price rises without falling below the poverty line.

People with debts are hit hard by rising prices and interest rates. Households have record levels of debt relative to their net income. A high debt burden coupled with rising interest rates and cost of living is an alarming equation.

The economic, psycho-social, and health impacts of the Covid-19 pandemic and the associated control measures hit hardest those population groups that were already vulnerable before the pandemic and whose disadvantaged position is due to multiple factors.

The number of people seeking food aid increased during the pandemic and has continued to rise because of the rising cost of living. At the same time, the amount of food waste put into circulation has decreased and there has been a break in EU food aid.

In this tenuous situation, vulnerable people live amidst continuously rising costs and wait with trepidation the impacts of planned cuts in social security.

### **Economic policy focuses on reducing Government debt**

In summer 2022, Prime Minister Sanna Marin's Government decided on an extra index increase to social benefits, and in December 2022 it paid an additional child benefit to all families with children. In addition, temporary increases were made to benefits for families with children for 2023.

Many felt that, with prices rising rapidly, it would have made more sense to target the support to those most in need. However, the Government decided to "give something to everyone", such as cutting VAT on electricity and pay an additional child benefit to all families with children.

### **Parliamentary elections in April 2023 changed the direction of politics**

Finland, like many other EU countries, has taken on a lot of debt to cushion the economic and social impacts of the Covid-19 pandemic and Russia's war of aggression against Ukraine. Finland is not among the most indebted countries in the EU. Current political discourse nevertheless focuses almost exclusively on the reduction of public debt.

This is the case in spite of the long-standing discussion in Finland about the need to reorganise economic policy so that we are able to tackle the climate crisis, social injustice, and the ageing population all at once. Wellbeing economics dictates that all dimensions of sustainable development – social, economic and environmental – must be in balance.

A key objective of the new Government is to launch the process of reducing Government debt, to "turn the fiscal ship". The Government Programme consists largely of conservative austerity policies: large budget cuts and labour market reforms that weaken the position of employees. The Government believes that cutting benefits will encourage the unemployed to find work, increasing the number of people in employment by 100,000. And while cuts are made in social security, taxes will be cut as well, giving the highest tax breaks in absolute terms to high-income earners.

If social security cuts do not have the desired impact on the employment rate, combined with the tax cuts they will at worst become an income transfer from the poor to the rich, effectively increasing both poverty and inequality.

The Government intends to sell off state assets to finance investment in infrastructure and increase R&D funding, for example. It has no intention of strengthening the tax base to consolidate public finances.

Combined with the rising cost of living, cuts to already low incomes will have the effect of reducing consumption. People with a low income will spend all their money on consumption without any possibility of saving for a rainy day. A fall in consumption will increase the risk of economic recession.

# What are Finland and the EU doing to reduce poverty?

## Will the Pillar of Social Rights strengthen the rights of EU citizens?

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. In the section on social protection, certain rights are defined such as minimum income, social housing production, 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 Action Plan for the Pillar of Social Rights was finalised in 2021. Its purpose is to translate the principles into concrete action. One of the overarching goals is to reduce the number of people at risk of poverty or social exclusion by 15 million by the year 2030. Of them, 5 million must be children. Finland’s target is to reduce poverty by 100,000 people by 2030.

In January 2023, the EU Council published a recommendation that seeks to combat poverty and social exclusion and achieve a high level of employment. This will be done by promoting adequate subsistence by means of minimum income, by improving access to essential services and services promoting social inclusion for people lacking sufficient resources, and by fostering labour market integration of people who can work.

In 2021, more than 95.4 million people – 21.7 percent of the population – were at risk of poverty and exclusion in the EU. The risk was higher for women than for men.

Existing benefit regimes vary considerably from one EU country to the next. In the EU, about 35 percent of working-age population at risk of poverty or social exclusion can lack access to minimum income or other social benefits. 20 percent of unemployed persons at risk of poverty are not eligible for social assistance. An estimated 30–50 percent of the eligible population does not claim their benefits from minimum income schemes.

## Cuts are made in social security despite the goal of reducing poverty

The EU Committee of Social Rights, which is in charge of monitoring the European Social Charter, has on several occasions observed that Finland's level of basic social security is too low. The third reprimand was made in February 2023. Even in the face of this, Prime Minister Orpo's Government, which took office in June 2023, is making several cuts to social security that threaten to increase poverty.

For instance, the Government plans to reduce unemployment benefits in several ways, such as staggering the sum of earnings-related unemployment benefit to fall to 80 percent of the original sum after eight weeks of unemployment, and to 75 percent after 34 weeks. Child increases to the benefit will be abolished. The exempt amount of the benefit will also be discontinued. Unemployed persons have hitherto been allowed to earn up to 300 euros gross per month without any decrease of the unemployment benefit. In the future, any earnings at all will immediately decrease the sum of the benefit.

Index increases to the unemployment benefit will be frozen for the entire government term. Other benefits whose indexation will be frozen include the general housing allowance, pensioners housing allowance, minimum sickness allowance, rehabilitation allowance, and students' social benefits. Benefits excluded from the freezes would include pensions, disability benefits, and basic social assistance, for example.

The Government also intends to reduce the housing allowance in other ways as well than just by freezing the index. They want to reduce the percentage used to calculate the housing allowance from 80 percent of actual housing costs to 70 percent. This would reduce the allowance for all recipients. The basic deductible of the housing allowance will be increased, which will reduce the amount of allowance paid to people whose income exceeds the basic deductible. Because of this, some current beneficiaries will remain without any housing allowance in the future.

The Government also intends to abolish the housing allowance of owner-occupiers, as well as the earned income deduction of the allowance. The deduction has functioned in the same way as the exempt amount of the unemployment benefit.

SOSTE's calculations indicate that the Government's planned indexation freezes and cuts to unemployment and housing benefits will increase the number of people in the low-income bracket by 40,000 persons in 2024. Around 12,700 of them will be children. Cuts in primary benefits will increase the number of social assistance recipients by around 47,000 people.

## Job growth through cuts?

The purpose of the cuts and the many measures that weaken workers' position on the labour market is to increase employment. For example, employers would no longer need to provide a reason for limiting an employment contract to a fixed term, and the grounds for termination would only need to be "objective". These measures are expected to make it easier to hire employees.

However, it has also been estimated that the cuts can have a negative impact on employment instead. When universal benefits erode people are forced to rely on social assistance, which involves more bureaucracy and incentive problems than other benefits. Part-time work is expected to decrease when the exempt amounts in unemployment benefit and housing allowance are removed.

Efforts were made by the previous Government to revise the Act on Social Assistance, especially to improve the situation of the most vulnerable sections of the population. Now the aim is to cut the number of people receiving social assistance by one half. The first bill to be drafted would limit the use of discretion in taking housing costs into account when determining the amount of social assistance.

There are plans to tighten the conditionality of social assistance in the future. According to the Government Programme, claimants of social assistance can be obligated to accept designated work or some public employment service position as a condition for receiving assistance when such work or service can be appointed.

The Government plans to replace social assistance and labour market support for migrants with an integration allowance, which would include an integration incentive and obligation.

Professor **Juho Saari** for one has discussed the wisdom of halving the number of social assistance recipients. He has also pointed out that withdrawing social assistance may be unconstitutional: under the Finnish Constitution everyone who is unable to secure the resources necessary for a dignified existence has the right to the necessary means of subsistence and care.

The cost of being sick is already too high for hundreds of thousands of people. However, the Government will raise the cost even further by inflating the fees of specialised health care and the price of medicines by raising VAT.

## Cuts in services planned as well

In addition to savings in social security, the Government is planning to cut 1.4 billion euros from the estimated expenditure projection for social and health services that is

expected to grow, not least because of the ageing population. Funding for the wellbeing services counties that will provide the services is inadequate, while waiting lists for services are particularly long following the pandemic.

The Government has also proposed to remove the right of undocumented migrants to other than emergency health services. The decision would increase not only human suffering but also the overall cost of healthcare.

The Government's Sustainable Growth Programme aims, among other things, to speed up access to care and reduce the backlog of care, rehabilitation and services in the social and health sector that was caused by the pandemic. Funding for the programme will mainly come from Next Generation EU recovery plan. Funding from the plan has helped develop a service concept for promoting wellbeing and health. The concept enables residents and professionals find municipal and third-sector services and activities in their local area that promote wellbeing, foster employment, improve functional capacity, and promote health and inclusion.

### **Cuts affecting children at risk of poverty or exclusion must be avoided**

The European Child Guarantee combats social exclusion and strengthens equal opportunities by guaranteeing children the basic services they need, such as care and early childhood education, schooling, healthcare, healthy food, and housing. The Child Guarantee is enshrined in the European Pillar of Social Rights and in the EU Strategy on the Rights of the Child.

In Finland, the National Action Plan for the Child Guarantee is implemented within the framework of the National Child Strategy and plans for its implementation, which will take place over several government terms. Finland's first Child Strategy was published in 2021.

Now, however, child poverty is threatening to increase. According to recommendations to Finland made by the UN Committee on the Rights of the Child in June 2023, Finland must avoid cuts in social security benefits that affect children at risk of poverty and exclusion. The committee has also urged Finland to ensure the provision of high-quality and accessible health services and leisure activities to children living in poverty.

### **Ever larger numbers of people need help from NGOs, yet their funding is also set to be cut**

Cuts in social security and changes to the basic social assistance system in particular are driving more and more people to seek food aid and other voluntary help from NGOs, and also support from the social schemes of churches. At the same time, the Government is

planning to make major cuts in government grants that will reduce the operations of NGOs. One fourth of the total of the grants is set to be cut in 2027.

The Government is in the process of creating a permanent system of government grants for food aid. The European Commission has approved the EU regional and structural policy programme, Innovation and Skills in Finland 2021–2027, which will provide material assistance for the disadvantaged in the form of so-called shopping cards instead of the former EU food aid. The programme is funded by the European Social Fund Plus (ESF+). The same programme will also finance policies in the fields of education and employment, as well as work to combat exclusion and poverty.

The problem is that EU food aid has been inoperative for almost two years due to changes made in the system. At the same time, the allocation of government food aid has been reformed, the amount of food waste distributed has decreased, and the number of people in need has increased.

### **Actions to reduce homelessness will continue**

In order to combat poverty, the Government will continue efforts to reduce homelessness. However, estimates have also been presented suggesting that when cuts in social security fall on the same people, the result can at worst be an increase in homelessness.

The Government intends to increase the child allowance paid to parents of children under 3, to single parents, and to families with several children; for others, the allowance will remain unchanged. These increases will not offset the loss of child increases paid to the unemployed, for example.

Pensioners have been saved from social security cuts, with the exception of their housing allowance, whose indexation will be frozen. Because pensioners have higher health care costs and are no longer covered by occupational health care, they are particularly hard hit by the increased cost of health care.

### **Following the racism debate, a commitment to equality**

The current Government's early days were marked by lively public discussion around several ministers' past racist writings. The discussion resulted in a recognition that racism is a significant problem in Finland and that, in order for basic rights to be upheld, it is vital that the Government take action to prevent racism and promote equality.

At the end of August 2023, the Government adopted a statement to Parliament on measures to promote equality, gender equality, and non-discrimination in Finnish society.

The Government committed to promoting equality across the board and throughout the election period, commenting that there is no room for racism in Finland. Prime Minister Orpo stressed that political decision-makers must lead by example in building a safe and equal society.

## **What do you think about the Government Programme?**

EAPN-Fin Citizens' Action Group survey, autumn 2023

**It won't help a single poor person. All our strength goes into figuring out how to get through another month, so there's no energy left to be a productive and effective citizen. And there are far too many of us in this situation. Just by investing in health care would free many people from the waiting list to work and prevent many problems from getting worse. If only we could get help right at the start.**

**The programme makes the poor even poorer, promotes a class society and segregation. I don't believe these measures will increase employment, on the contrary.**

**It will only increase the poverty of those who are already poor. And now people on low income will fall into poverty as well. I can't in good faith support such an unfair Government Programme in which the poor are the only ones to suffer from cuts.**

**The Government Programme will increase unemployment by making part-time work unprofitable. It will increase the number of people on social assistance, which is the worst income trap. The programme is a social policy failure and ideologically driven.**

**I'd like the Government, before it makes its decision, to study research results and listen to experts on poverty. There is no pressing need to cut the price of petrol or beer. Nor is there any need to give tax breaks to high earners.**

**I'm afraid people won't be able to cope. Those who are already in a tight spot are pushed into an even tighter one.**

**I think it's OK. I don't know if everything in it will happen, but at least there are plans to increase the number of police and invest in security.**

**Too many cuts that weaken the circumstances of low-income earners, and also weaken the economy as purchasing power declines. Civil peace won't last if the dictates of the Government Programme are implemented. There's no grounds for giving any tax breaks nor to sell any state assets.**

## EAPN-Fin: We must not allow poverty to increase

### **We need an overall assessment of the consequences of the social security cuts – we must ensure that poverty will not increase**

The proposals in Prime Minister Petteri Orpo's Government Programme will exacerbate the situation of poor people and push more people into poverty. Inequality will grow. Policies leading to this situation are in violation of the constitutional right to basic subsistence. They are also in contravention to commitments made by Finland, including the one to reduce the number of people living in poverty by 100,000 by the year 2030.

When the programme is implemented, the Government must ensure that more people do not fall into poverty or be exposed to the risk of exclusion, and that the preconditions for a dignified life are guaranteed for all.

In order to minimise the negative impact of the proposals to low-income people and families, comprehensive impact assessments of the cuts must be carried out and the plans be adjusted accordingly. Any cuts that affect the same low-income earners disproportionately and from many directions, must be abandoned.

In autumn 2022, the Ministry of Social Affairs and Health published an action plan to reduce poverty and exclusion. It includes actions to achieve Finland's share of the EU poverty reduction target. The programme needs to be implemented.

### **We must not allow child poverty to increase**

Child poverty has already increased because of price rises, and the Government's proposals would increase it even further. The cuts would result in more suffering, distress and despair in low-income families.

Cutting the benefits of families with children is short-sighted and inhumane. Childhood poverty has many negative effects on the wellbeing of children as well as adults both in the present and in later life. The first years of an individual's life are especially critical to prevent negative outcomes.

The risk is that short-sighted austerity measures lead to future costs that are many orders of magnitude greater than any savings achieved by the cuts when we need to heal the scars of poverty with expensive remedial actions. For example, cutting the child increase of the unemployment benefit has a direct impact on children and their wellbeing. We cannot afford poverty to cause serious problems for shrinking cohorts of children and young people.

The timing and targeting of the Government's planned cuts should be reviewed. We need to find alternative cuts that do not target vulnerable children.

### **Access to affordable housing must be safeguarded**

According to the OECD, access to affordable housing has been declining for some time in Finland. The housing allowance has lagged behind the rising cost of housing, and now the Government has proposed further significant cuts to the allowance. At the same time, rents are climbing as part of the overall price increases. Cutting the housing allowance will increase poverty and the need for social assistance.

Housing allowance cuts must be abandoned. Support for affordable rental housing must be increased not only in the capital region but also in other growth centres.

### **Organisational funding cuts must be called off**

The Government is planning to cut 100 million euros from the Government grants to social and health organisations in 2027. The cuts will cripple the organisations and make it harder for people to get assistance. The services of these organisations are often the safety net of last resort for people in very difficult circumstances.

Now that the wellbeing services counties, which are responsible for the provision of social and health services, are also in financial difficulties, access to assistance is even more uncertain. The shortfall of work done by organisations to help people in difficult circumstances cannot be offset by public services.

Cuts to the funding of these organisations have a direct impact on the daily lives of their target groups and undermine the wellbeing of the population. Removing one out of every four euros from the organisations' funding would lead to increasing ill health as well as rising social and health care costs. Cuts to government grants to social and health organisations must be called off.



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