

# Finland as a welfare society

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Dialogue between India and Finland

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# Welfare models and regimes

	<b>Industrial based Conservative- corporatist</b>	<b>Residual Liberal</b>	<b>Redistributive Nordic model</b>
<b>Regimes</b>	<b>Southern Europe</b>	<b>Anglophone countries</b>	<b>Nordic Countries</b>
<b>Historical background</b>	Bismarck 1880	Beveridge in 1940s	Swedes in 1930s Finns since 1950s
<b>Central Value</b>	Security	Freedom	Equality
<b>Functioning system</b>	Social Insurance	Targeting	Redistribution
<b>INSTRUMENTS</b>			
<b>Access to benefit</b>	Work	Poverty, Need	Citizenship, Situation
<b>Nature of benefits</b>	Earning related	Means tested	Flat-rate benefits Public services
<b>Financial system</b>	Social contribution	General taxation	General and local taxes
<b>Governance</b>	Kassen, Caisses, Caixa	Central State	Central state, municipal

# Pre-conditions for the success of the model

- Multi-party parliamentarism
  - > Coalition governments
  - > Stable and sustainable policy making in comparison to dual party systems
- One language
- One religion

# Essential features of the welfare model

- **Universalism:**
  - social rights are based on citizenship (particularly in 1950s and 1960s unified programmes, flat-rate schemes)
- **Flat-rate-based** (child allowance as an example)
- **Earnings-relatedness** (day-care allowance as an example)
  - guarantee against **sharp income drops** in risk situations (programmes introduced in 1960s and onwards) (Denmark as an exception)
- **Institutionalism:**
  - role of the **public sector is strong** in social policy and in society in general
- **Targeted poverty** relief **not** a typical feature in social policy
- **Generosity:**
  - Minimum levels of **benefits at least modest** (unemployment benefit for non-union members)

## Merits of the model

- Low life cycle poverty
- Reduced inequalities
- High employment rate (especially among women)
- Strong support for social security

# Differences between the Nordic countries

- Sweden has traditionally been the leader (since 1930s)
- Denmark displays a more liberalistic flavor
  - Finland was a latecomer
  - After early 1990s: Snakes in paradise?  
unemployment, poverty, exclusion, class divisions, inequality, privatization, welfare state criticism, erosion of the quality and quantity of the social policy, reassessments of the welfare model

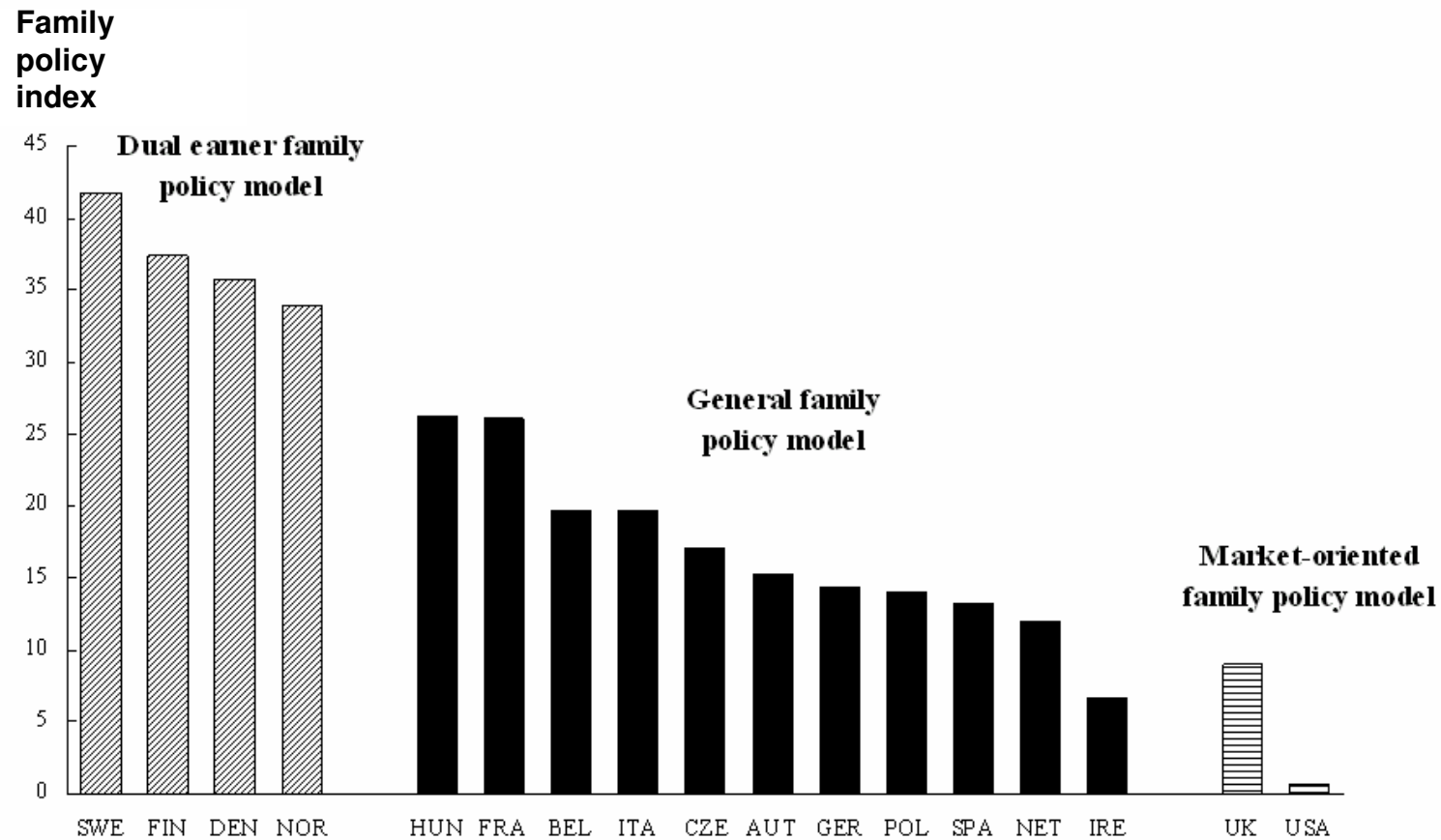
## Finland: a country with a high family policy index

	Paid maternity leave	Extended leave	Money support during extended leave %	Home Incentive Index	Separate taxation	Leave to care for sick children	Coverage of day care	Work incentive index	Family policy index
<b>FIN</b>	+++	+++	+	7	+	+	++	4	11
<b>BEL</b>	++	++	+	5	-	+	++	3	8
<b>SWE</b>	+++	+	+	5	+	+	++	4	9
<b>DEN</b>	++	+	-	3	+	-	++	3	6
<b>FRA</b>	+	+++	+	5	-	-	++	2	7
<b>NRW</b>	++	++	-	4	+	+	+	3	7
<b>GER</b>	+	+	+	3	-	+	+	2	5
<b>ITA</b>	++	+	+	4	+	+	++	4	8
<b>NL</b>	+	++	-	3	+	-	-	1	4
<b>SP</b>	+	+++	-	4	-	+	+	2	6
<b>UK</b>	+	+	-	2	+	-	-	1	3
<b>AUS</b>	-	++	-	2	+	-	-	1	3
<b>USA</b>	+	-	-	1	+	-	-	1	2

Source: Millar & Waman 1996: leave to care for sick children, coverage of day care (except countries Australia and USA). O'Donoghue & Sutherland 1998: Separate taxation (+ = exists). Knudsen 1999: extended leave: 100 or more weeks = +++, 50-99 weeks = ++, 20 - 49 weeks = +, below 20 weeks = -. Money support for extended leave: yes = +. Work incentive and disincentive indexes are calculated as following: +++= 3 points, ++ = 2 points, + = 1 point and - = 0 point.

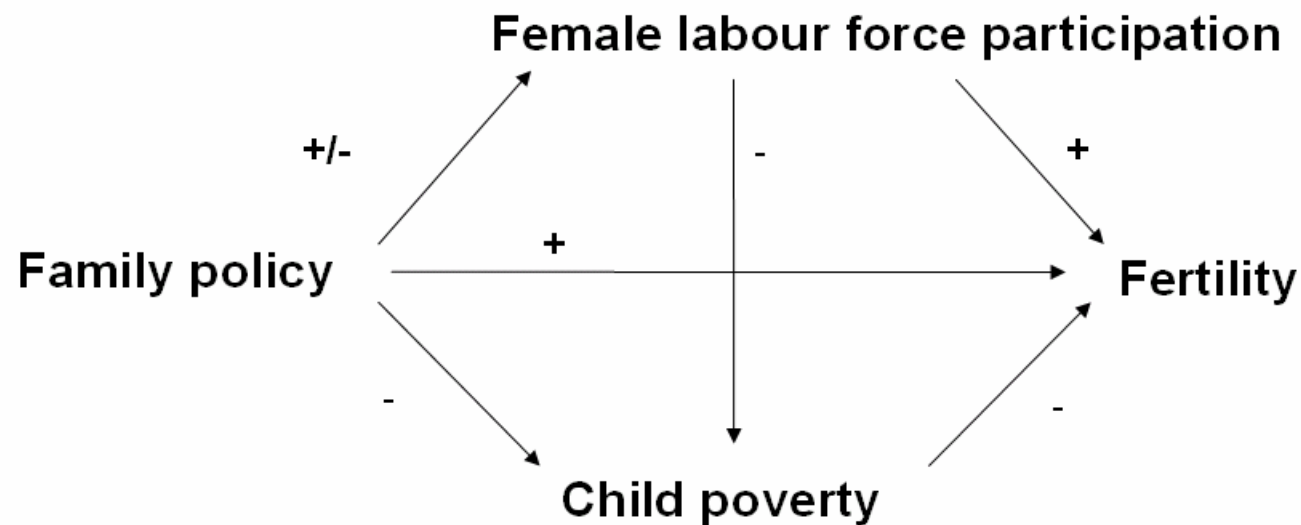
Katja Forssén 2000

# Family policy generosity in different models of family policy in the mid- 1990s

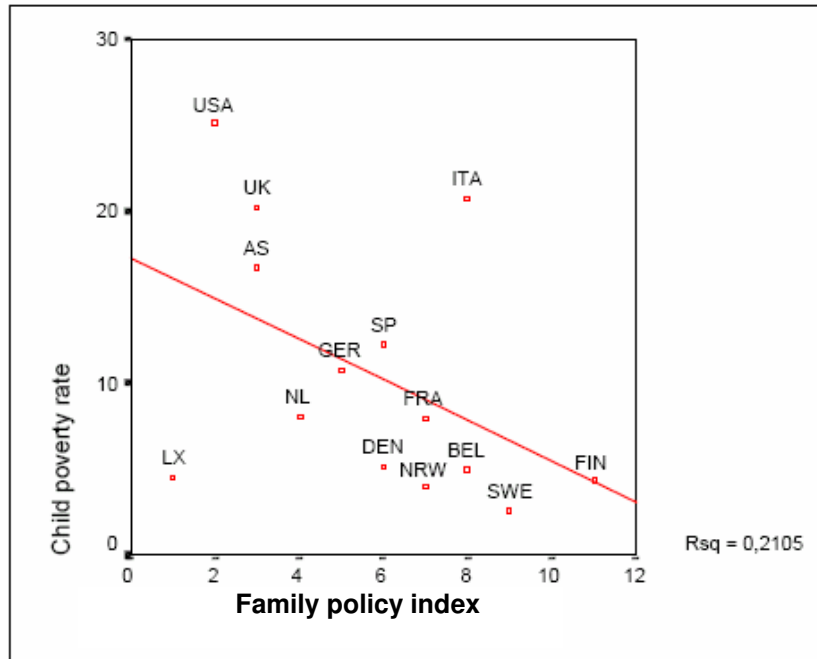




# Family policy, female economic activity, child poverty and fertility



## Child poverty and level of family policies in some OECD countries

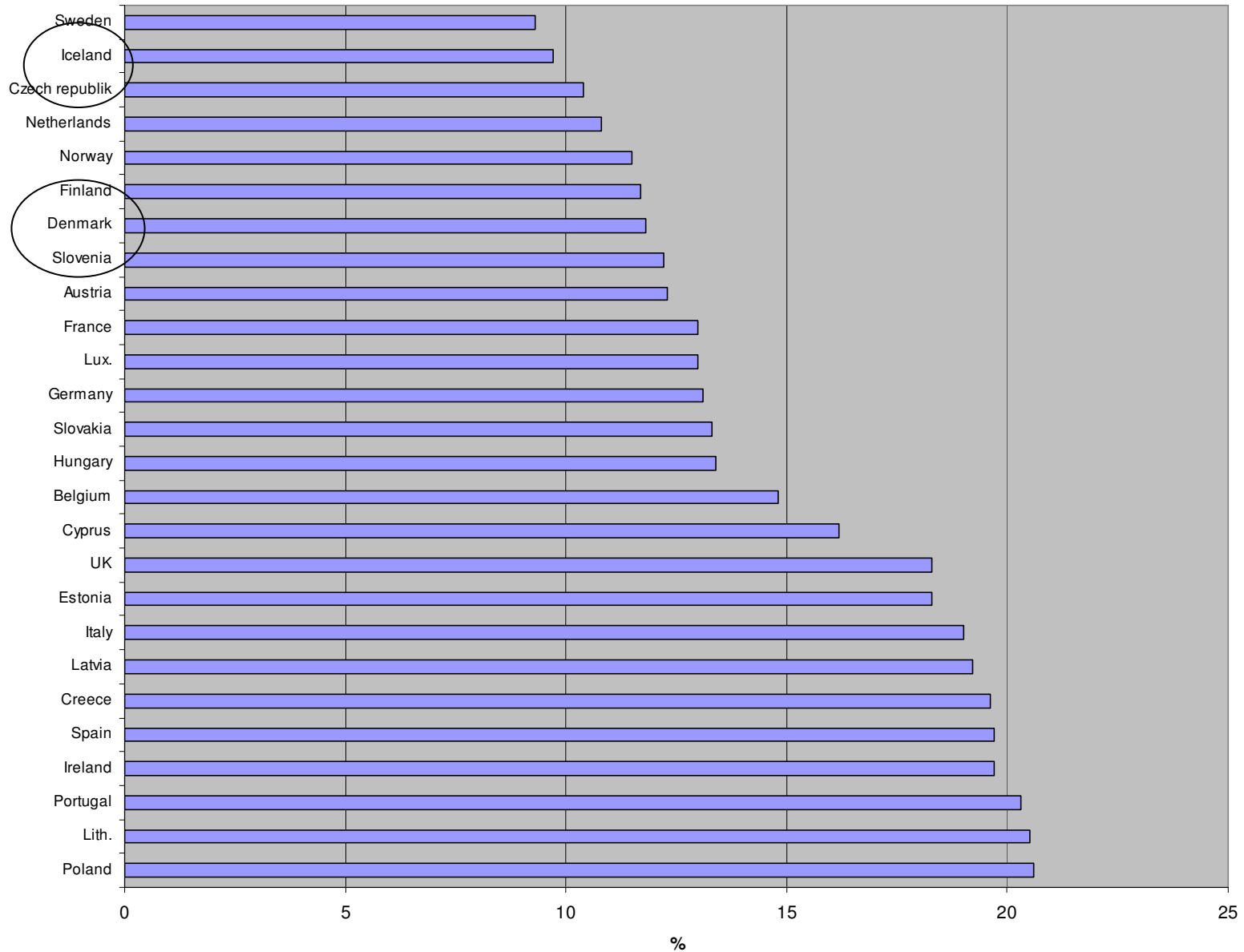


Source: Child poverty rates: LIS, the latest years. Family policy index: Millar & Warman 1996; O'Donoghue & Sutherland 1998; Knudsen 1999; Forssén 1999; Forssén & Hakovirta 1999. Family policy index: Paid maternity leave + extended leave + money support for extended leave + separate taxation + leave to care for sick child + coverage of day care. (See Appendix Table 3)

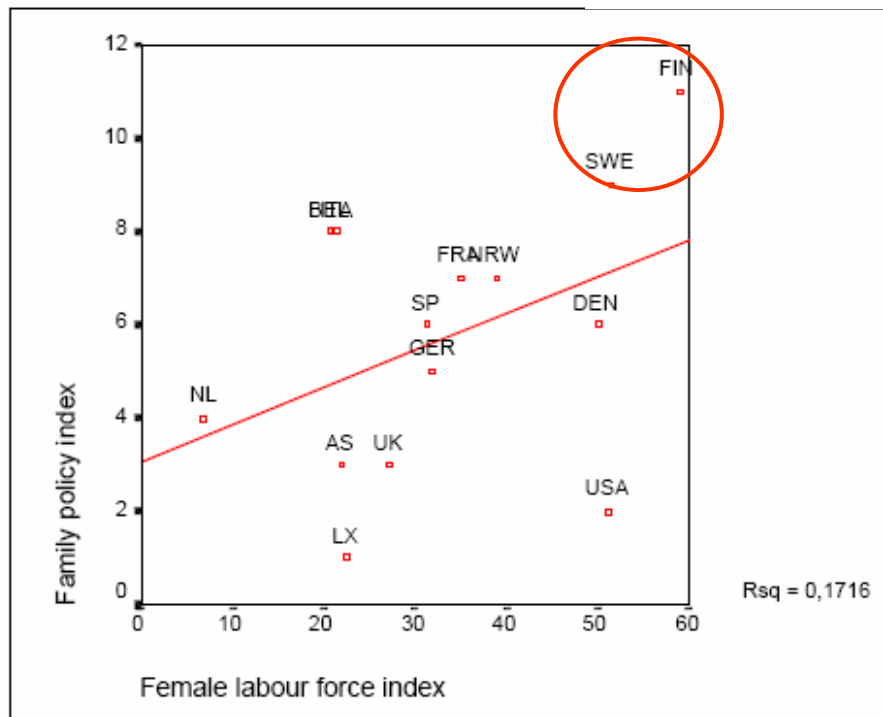
## Child poverty rates and female labor force participation rate



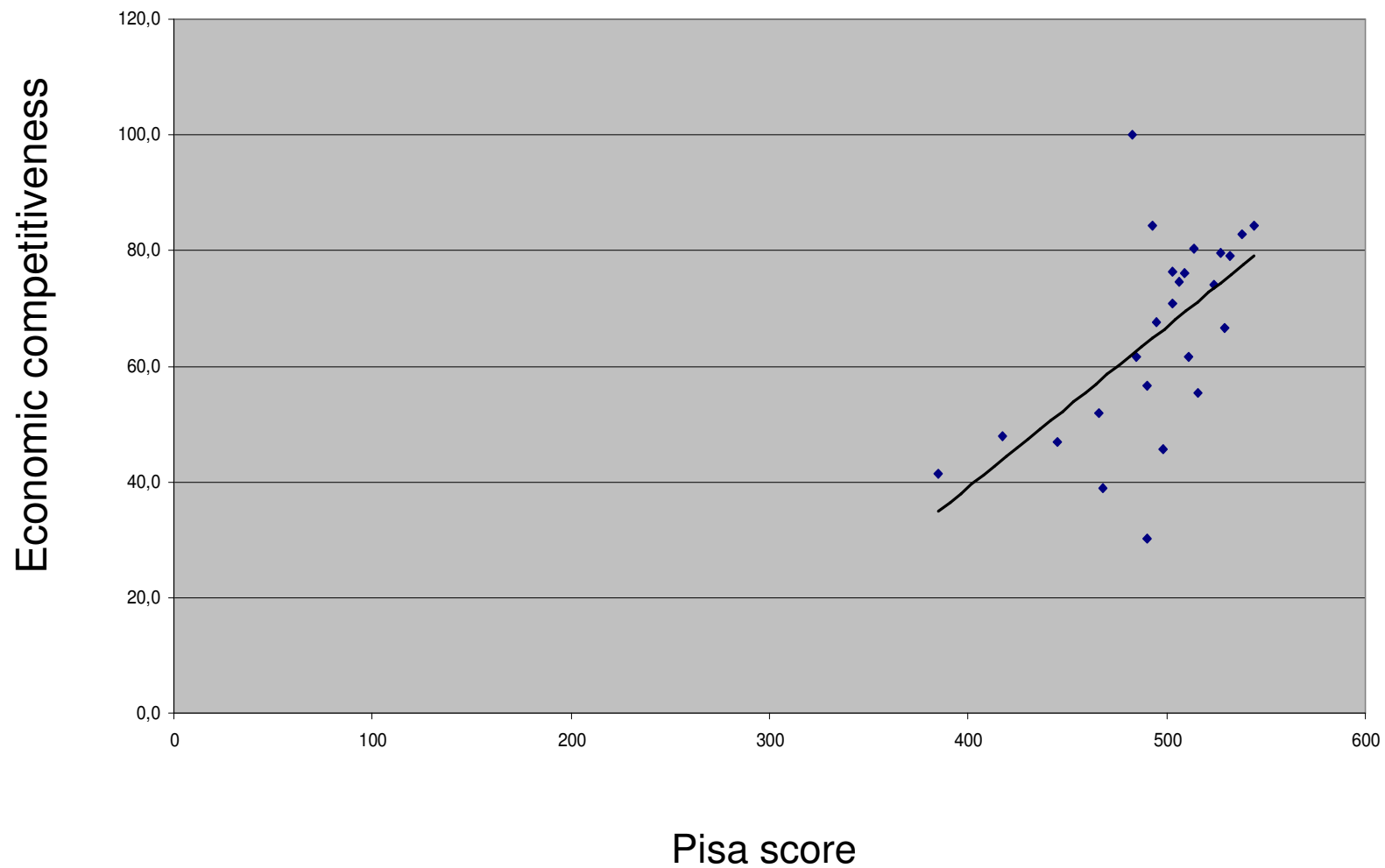
# Income poverty in Europe in 2005, %



## Female labor force participation rate and the level of family policy



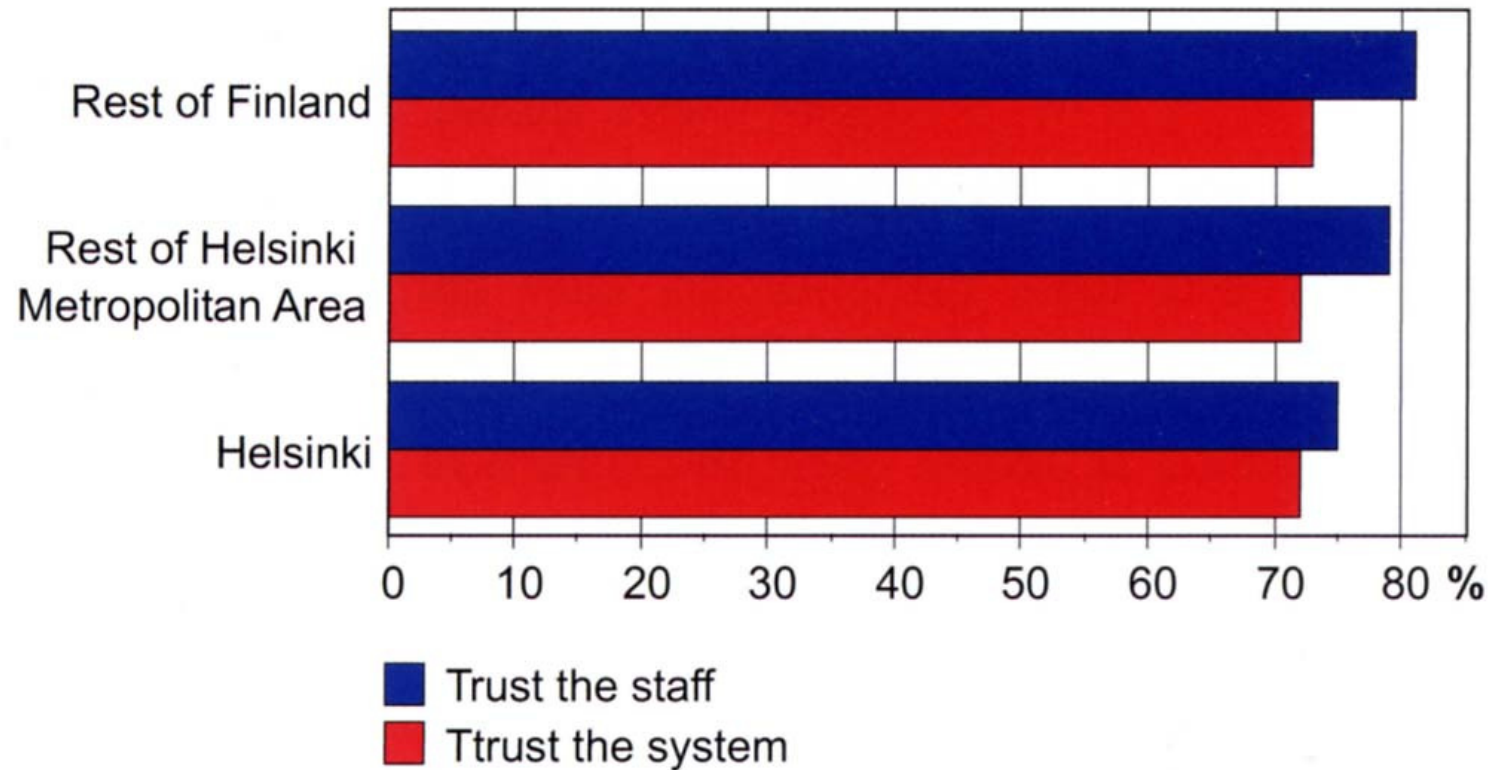
## PISA (learning results) scores and economic competitiveness



We have entered a new operating environment for social policy in recent years. Critical trends and challenges include an aging age structure, changing family structures, and a new kind of labor market (see Pierson 2001; Esping-Andersen 2002).

Globalization and the economic and political integration taking place in Europe have fundamentally changed decision-making and regulatory systems in the social policy of each country. As fringe conditions have changed, the social policy systems of western welfare societies have entered a period of adaptation. This means increased market dependency, cost-saving measures, and fine-tuning of systems (Pierson 2001).

## Confidence in the social welfare service system and its staff, % in 2006



Source: Anu Muuri: Social welfare services: greater satisfaction in Helsinki. In: *Helsinki Quarterly 3/2007*, p. 6. City of Helsinki Urban Facts 2007.



# Pay check/October 2007

## Employer pays:

Average salary in Finland 2,700 €/month

Tax (governmental and municipal):

672 € = 25 %

Retirement and employment:

115 € = 5 %

Union fee:

35 € = 1,3 %

## Employee pays:

Social costs: 625 € = 25 %

Total monthly costs for the employee:

2,700 € + 625 € = **3,325 €**

LÄHETTÄJÄ		PALKKALASKELMA		18/1		
Väestöliitto ry Iso Roobertinkatu 20-22 00120 Helsinki		PALKKAKAUSI 01.10.07-31.10.07		MAKSUPÄIVÄ 31.10.07		
VASTAANOTTAJA						
MATTI HALLIKAS KESÄTE LA 2 00100 HELSINKI						
ERITTELY	KPL/JAKAJA	AIKAJAKAJA	A-HINTA	%	YHTEENSÄ	
Ruokalistut	20,00		5,00		100,00	
Kuukausipalkka					2688,40	
Ennakkonpidätys					672,10	
Päivärahamaksun määrä 0,75% (sis. ennakkonpidätys) 20,16						
Työntekijän Tyel					115,60	
Työntekijän työttömyysvakuutus					15,59	
JYTY RY					34,95	
PALKKAKAUDELTA:					Yliytöt vko	0,00
Rahapalkka	2688,40					
Luontoisedut	0,00					
Vähennys ennen ep	0,00					
Ennakkonpid.alaiset	2688,40					
Ennakkonpidätys	672,10					
Korvaukset	0,00					
Jäsenmaksut	34,95					
Työntekijän eläkemaksu	115,60					
Työttömyysvakuutusmaksu	15,59					
Yliytöt vko					0,00	
Työntekijännumero					368	
Osastonnumero					43	
Pankkitili					123456-1234	
Ammatti					PROJEKTITYÖNTEKIJÄ	
Perus-%					25,00	
Lisä-%					41,00	
Tuloraja					32600,00	
Aikapalkka					0,00	
Keskituntiansio					0,00	
Eläkelaitos					VARMA	
VUODEN ALUSTA:						
Rahapalkka	7549,27					
Luontoisedut	0,00					
Vähennys ennen ep	0,00					
Ennakkonpid.alaiset	7549,27					
Ennakkonpidätys	1887,32					
Korvaukset	0,00					
Jäsenmaksut	68,75					
Työntekijän eläkemaksu	324,62					
Työttömyysvakuutus	43,78					
Yliytöt vrk	0,00					
					MAKSETAAN MARKKAA	
					10405,98	
TULOT YHT			VÄHENNYKSET YHT		MAKSETAAN EUROA	
2688,40			938,24		1750,16	

# Welfare model in practice

3 Kindergartens, 130 places



Health-care center, 3 doctors



**Rusko:**

**Population 3,700**

**Municipal tax: 17,5 %**



Old-age home, 40 places



Comprehensive school



## **Municipal charges:**

- Client-paid fees cover approximately 20 % of day-care costs.
- Annual health center fee is 22 €. Otherwise the service is free.
- Fees for old-age homes are income-based. The average monthly charge is about 1000 €.
- School, education and school-meals are free.

## Future challenges to the Nordic welfare model in Finland:

- Globalization: “tax race”, which has high-taxing societies in trouble, and leads to an increased use of client-paid fees.
- Retirement and elder care for baby boomers, starting in 2025: social security is strongly redistributive over the life cycle.
- Late entry into and early exit from working life
- Unemployment and social exclusion
- Generation gap: will the younger generation agree to pay for growing pension and elder-care costs?
- Requires a clear-cut immigration policy, with immigrants seen as a resource, not a threat.

**However: Nordic people are quite attached to their model, and even prepared to pay higher taxes to retain it.**

**Thank you!**