



Finland

## **Trends, Recent Developments, Active Inclusion and Minimum Resources**

First Semester Report 2006

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On behalf of  
**European Commission**  
DG Employment, Social Affairs and Equal Opportunities



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## Summary

This report examines recent policies on poverty and social exclusion in Finland. The main focus of the first chapter of the report is on analysing the baselines, trends and problems of Finnish social policy and social inclusion. Our particular aim is to study how intensively Finland has been taking into account the seven key priorities identified in the 2005 and 2006 Joint Reports on Social Inclusion and Social Protection.

We make an overview of the recent history of the Finnish welfare state and its central political actions against poverty and social exclusion. Moreover, we examine four topical themes related to the themes of poverty and social inclusion/exclusion:

- 1) the debate concerning the Finnish public service model,
- 2) the growth of income inequalities and lack of welfare,
- 3) the 2006 Finnish Presidential election and
- 4) the recent mass dismissals of employees. Our aim is also to analyse the recent trends in Finland's employment/ unemployment development and make an overview of the trends in social protection in Finland as well as outline some basic features of the conclusions made on the basis of the review seminary of Finnish NAPs. The structure and effectiveness of the structural Funds (ESR, ERDF) in Finland will also be analysed in this report.

Chapter two studies the concept of active inclusion and its implementation in Finland. First of all, we will shortly study the concept of active inclusion and give an illustration on the topic. Secondly, we will give an overview of the Finnish national Minimum Income schemes. We will also focus on Loimaa's regional Rainbow project, which can be seen as a good example of local activities targeted against poverty and social exclusion. It is regional and funded by ESR. It focuses directly on the unemployed and excluded people, seeking to help their life situation through "activation houses", training and rehabilitation. Moreover, we give a short analysis of a national project called 'Omakymppi'.

Thirdly, we will study the problems of motivation, the difficulty of finding qualified staff for social offices and health-care centres, and a government bill focusing on "Activating labour market support and reforming employment subsidies". In short, the problem of motivation can be seen as an important element behind the growth of the long-term unemployment rate (and thus social exclusion). Important questions are: How to motivate excluded people? Where to find qualified staff for social offices and health-care centres, who are able to activate and motivate people to find a job?

## **1. The Baselines, Trends and Problems of Finnish Social Policy and Social Inclusion**

This chapter presents an overview of Finnish social policy and its implications for poverty and social exclusion. Our aim is to study how intensively Finland has been taking into account the seven key priorities identified in the 2005 and 2006 Joint Reports on Social Inclusion and Social Protection:

1. Increase labour market participation
2. modernise social protection systems
3. tackle disadvantages in education and training
4. eliminate child poverty and enhance assistance to families
5. ensure decent housing and tackle homelessness
6. improve access to services of sufficient quality
7. overcome discrimination and increase the integration of people with disabilities, ethnic minorities and immigrants

The analysis is based on literature discussing the development of the Finnish welfare state, on a main report delivered by the Finnish Ministry of Social Affairs and Health (MSAH) in August 2005, relevant statistics and indicators, and consultation with a number of state officials mainly responsible for the forthcoming NAP.

The first part of this chapter focuses on an overview of the recent history of the Finnish welfare state and its main political actions against poverty and social exclusion. The second part concentrates on the current themes of poverty and social exclusion as these have been portrayed in the literature and media during 2005-2006. Four major themes are selected for brief analysis. The third part focuses on the economic, social and demographic problems and risks concerning Finnish social policy and its reductive tools against poverty and exclusion. The last part of this chapter studies the character and effectiveness of the EU funded programs and projects.

### **1.1 Finland and the Problem of Social Exclusion**

It can be said that Finland belongs to the famous family of Scandinavian welfare states which have often been considered the most advanced welfare states in the Western world. The peculiarity of the Finnish welfare state in contrast to the other Scandinavian countries is Finland's late and fast development as well as the fact that the coverage of social security in Finland has been wide but the level of benefits has been moderate. If measured by the coverage of social security or the level of benefits, Finland entered the Nordic welfare state family only during the 1980s. Furthermore, if measured by social expenditure, Finland entered the group of Scandinavian countries as late as in the 1990s, which was due, above all, to an economic

recession's impact on social expenditure.<sup>1</sup> It is not an exaggeration to say that in the long run the Finnish welfare state model has been extremely successful in performing its tasks for social policy (including poverty and social exclusion).

At the beginning of the 1990s, the deepest economic recession in the nation's history hit Finland. Problems began to emerge from autumn 1990 onwards when the international economy entered a recession. At the same time, trade with the Soviet Union collapsed. The recession caused a hazardous banking crisis and the government spent billions of marks rescuing the Finnish banks. These problems resulted in the rapid growth of unemployment and a need for the state to borrow vast amounts of money from international financial markets. Since then, the most important problem of the Finnish social policy has been a long-term unemployment and its influences to social inclusion and equality. It was in the end of 1990s that the "dark side" of the Finnish welfare state was revealed. Income differences between the residents of different areas increased. Also, the growing demand for the unofficial help provided by voluntary organisations indicates this "darker side". *It should be noted, that these problems have not totally disappeared but have a significant effect on today's Finnish social policy.*

Several changes in the international context are also relevant when analysing the present-day pressures on the Finnish welfare state. The most important factors are globalisation and the economic and political integration of Europe. The Economic and Monetary Union creates pressures upon social security: low inflation, changed possibilities for curing economic shocks and for reacting on business conditions, all change the pressures for financing the welfare state. Furthermore, the possible harmonisation of the taxation will put added pressure upon financing the welfare state. The EU and EMU membership may also have a positive impact on financing social policy through low level of unemployment and steady economic growth.<sup>2</sup> Globalisation has also raised fears with regard to social policy. Liberalisation of the money and credit markets in the late 1980s has had a substantial effect on the economic and social policy of the Nordic countries. The effect of the OECD is also a significant factor with regard to the future of the Finnish welfare state.

*Recent debates have characterised Finland as a project society or marketability society. The common feature of these discussions is the fact that Finland is regarded as a multi-centred society. In other words, the state no longer has enough social political power to steer the whole society. Rather, the social political power is more or less used by municipalities and ministries (which, above all, have informative power).<sup>3</sup>*

Finland's NAP 2003-2005 has taken a comprehensive and multidimensional approach to social inclusion. In addition to efforts for strengthening the universal systems, measures targeted at vulnerable groups are also put in place. Four general policies have been highlighted: *promoting health and the ability to lead an active life, increasing attractiveness of working life, prevention and combating of social exclusion, and ensuring effective services and reasonable level of income security.* A National health care policy programme and a National Health Project seek to increase the availability and quality of health services, both at local and national level. The government's housing policy aims at reducing homelessness and increasing the annual supply of reasonably priced rental housing up to 10 000 new units in the period 2004-2007. The education policy is aimed at preventing social exclusion. There are also a number of measures targeted at vulnerable groups (a national alcohol program, supporting the integration of immigrants, combat against prostitution

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<sup>1</sup> See Kangas O. (1994) "The Merging of Welfare State Models", *Journal of European Social Policy* 4(2), 79-94.

<sup>2</sup> See Forma P. (1999) *Interests, Institutions and the Welfare State. Studies on Public Opinion Towards the Welfare State. Stakes Research Report 102.* Jyväskylä: Gummerus.

<sup>3</sup> Heiskala R. & Luhtakallio E. (eds.) (2006) *Uusi jako (The New Division, published only in Finnish).* Helsinki: Gaudeamus.

etc.). Some 22% of ESF funding in Finland is reserved for specific measures for the reintegration of the most vulnerable and disadvantaged groups. This NAP has been analysed in the latest expert report.<sup>4</sup> The biggest future challenges of the Finnish inclusion policy can be summarised in a following way:

- Challenge 1. The change in the population's age structure will reduce the number of people entering the labour market. At the same time, unemployment has taken on a more structural character.
- Challenge 2. Securing the availability and quality of social and health services.
- Challenge 3. The trend in the housing market gives cause for concern in relation to the stability of economic development.
- Challenge 4. Ensuring a sufficient level of education for all.
- Challenge 5. Securing income support.
- Challenge 6. Finding new ways and developing new models to tackle the multi-dimensional challenges of social exclusion.

In the following, we will concentrate more deeply on the recent trends of Finnish social policy. We must especially take a closer look at the discussions concerning the problems of poverty and social inclusion, which can, to varying degrees, be influenced on local (projects, municipalities), regional (programs, municipalities) and national (ministries) levels. Moreover, it is our opinion that these unavoidable challenges must be brought to the attention of the forthcoming NAP.

## 1.2 Topical Themes in Finland Relating to Poverty and Social Inclusion

In broad terms, four themes closely connected with poverty and social exclusion have been subjects of public discussion over the end of 2005 and the first half of 2006. These are: the debate concerning the development of the Finnish public service model (i.e. the role, tasks and responsibilities of municipalities vis-a-vis the state); the situation of income inequality and the risks of social exclusion on low-income families with children; presidential elections and President Halonen's opinions on poverty; and the mass dismissals of employees by important national companies (UPM-KYMMENE). These themes are now discussed briefly.

First of all, the debate concerning the Finnish public service model (i.e. the role played by municipalities in delivering public services and the number of municipalities there should be) has received extraordinary attention in the Finnish media. Much discussion and public debate relating to the role of the municipalities as providers of public services took place during 2005, and still continues. This topic is not a particularly novel one, as it was on the political agenda during both of Prime Minister Paavo Lipponen's two administrations (1999-2003), but Prime Minister Matti Vanhanen's administration (since 2003) has adopted the theme – as it were – not as something new, but as a “permanent” agenda item. A great number of

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<sup>4</sup> Virtanen, P. & Tonttila J. (2005) Report on Social Inclusion in Finland. Assessment of the implementation of Finland's NAPs/inclusion 2003-2005. Report written for the European Commission, DG Employment. Group of non-governmental experts in the fight against poverty and social exclusion.

municipalities have major economical problems, which in turn affect their abilities to deliver the legally specified public services.

During the first half of 2005, the Ministry of the Interior, which has a responsibility for the state-municipality relationship, set up a special committee which is expected to come up with solutions for improving service structures at regional and local levels. In practice, this will mean an amalgamation of what are currently, from an administrative viewpoint, separate municipalities. Three models have been under discussion.

1. Model of basic municipalities

- Objective: vital and viable municipalities based on working areas – minimum 20 000-30 000 inhabitants per municipality, amalgamations
- Finance and responsibility for the services within one and the same organisation
- During a transitional phase, the possibility to assign duties to service districts, based on the same number of inhabitants as the amalgamated municipalities
- If not accomplished voluntarily, the Cabinet may take necessary measures

2. District model

- Social services, primary health care and specialised health care would be integrated into a single organisation in order to ensure enhanced productivity and functional rationalisation
- The district has the responsibility for the services
- Can be extended to apply to the education services as well
- Inhabitant base of at least 100 000, preferably 150 000-200 000 -> creates the premises for securing the services of small population groups, availability of skilled employees, knowledge and usage of information technology and balancing the fluctuation of expenses
- The district has primarily the role of the purchaser, but also, to some extent, of producer
- Particularly demanding hospital care will be centralised in a few centralised units

3. Regional model

- 20-25 municipalities would be formed, current municipalities remain as local municipalities (Helsinki region would be dealt with as a separate question)
- The regional municipality is responsible for the services -> does not mean centralisation of the services, the service network would stay local according to the inhabitants' needs
- Part of the services may legislatively be assigned to the local municipalities. The regional municipalities may also delegate tasks to the local municipalities
- Taxation power and state grants to the regional municipality.
- Municipal councils of both regional and local municipalities would be elected via direct elections

Late in 2005, the Ministry of the Interior arranged several discussions around Finland concerning the topic. Although any actual political decisions have not yet been made, it seems that in the future there will be lesser municipalities than today. The model of basic municipalities has been the most popular one among the majority of ministers and representatives of districts and municipalities. According to Minister of Finance, Eero Heinäluoma, "the structure of the Finnish map of municipalities is old-fashioned. Our goal is to build a model, wherein municipalities would be much stronger and more vital than today. The remodelling of the Finnish structure of municipalities is the only way towards more efficient public service model."<sup>5</sup>

The second theme visible in both the literature and media was the growth of income inequalities and lack of welfare. STAKES recently published a report on the welfare of Finnish citizens.<sup>6</sup> The greatest part of the Finnish citizenry has a good means of subsistence and lives healthily without deficits of welfare. Despite this, the growth of income inequality is an evident problem. The most important factors behind this negative development are a person's age, his/her family situation and employment situation. The unemployed have not benefited from the recent tax reduction policy or the growing income level. As a consequence, poverty has increased and the central feature with respect to a lack of welfare can be connected to economic exclusion. Furthermore, the standard of living has been raised in families where both parents are working. The risks of poverty concern single parent families and families with several children. According to the popular opinion, the chance of making a living is easier than before. Yet over 500 000 people are living under the EU poverty line.

Finnish NAPs have also paid attention to the problems mentioned above. According to the implementation report, the level of minimal and family benefits have fallen behind the general income development, while long-term unemployment remains common and many of the unemployed rely solely on basic unemployment security. When looking at the relative share of people with low income, there has been little change in the recent years, whereas long-term poverty, which has greater significance for exclusion, has increased among the population. An increasing number of people remain on low income for several years. The fact that among all the households receiving social assistance, a growing proportion is receiving uninterrupted social assistance for almost a year is also an indication of the long-term nature of economic problems.<sup>7</sup>

The third theme debated in the media was the 2006 Finnish Presidential election, which saw the re-election of Tarja Halonen as President of Finland for a second six-year term. In her inauguration speech on the 1<sup>st</sup> of March 2006, President Halonen emphasised the national challenges of poverty and equality, which in turn have an effect on the problems of social inclusion. In general outline, President Halonen's opinions follow the traditional social democratic welfare regime, wherein the welfare state is based on a strong national economy and high employment rate. According to president Halonen, income differentials are again growing, and new poverty has emerged in Finland. The pay for a full-time job is not enough to support a family. Women still earn about 80% of what men earn on average. There are problems with the system of welfare services, and employees have difficulties with coping at work. Social inequality takes many forms. Although the welfare society is a generally accepted objective, it is an objective that is not attained in the lives of most people. Halonen adds that we have regional and social inequality, and this clashes with the Finns' sense of justice. The welfare of citizens and the international competitiveness of Finland are not mutually exclusive; they are mutually complementary and mutually supportive. From Halonen's point of

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<sup>5</sup> Interview of Finland's Minister of Finance Eero Heinäluoma. *Kuntalehti* (the Finnish journal of municipalities), 6/2006.

<sup>6</sup> Kautto M. (eds.) (2006) *Suomalaisten hyvinvointi 2006* (The Welfare of Finnish Citizens in 2006, published only in Finnish). Stakes. Jyväskylä: Gummerus.

<sup>7</sup> Finnish National Action Plan Against Poverty and Social Exclusion. Implementation Report (2005). Ministry of Social Affairs and Health. Helsinki.

view, the Finnish welfare society requires a strong economy and high employment. But the Finnish society also needs more jobs, as unemployment has remained high. Close co-operation between the public and private sectors is beneficial to both. Investments in research and development are increasingly important as international competition tightens. It must be noted, that these types of opinions follow the idea of *active inclusion*, which will be analysed more closely in chapter two.

The fourth theme, extremely visible in the media, is the mass dismissal of employees. The communication company Elisa gave notice to 350 employees, electronic company Perlos to 600 people and recently the forest company UPM-Kymmene to 3 000 workers. Markku Wallin, Permanent Secretary at the Ministry of Labour, concludes that more dismissals can be expected in the future. This is due to the fact that the electronics and electrotechnics industries transfer production from Finland to areas wherein the amount of population and customers is higher (for example China) than in Finland or Europe. Finnish forest industry has also several problems. It is characterised by overproduction; the production exceeds the demand.

### 1.3 Economic, Social and Demographic Problems Concerning Poverty and Social Inclusion

As noted above, poverty and social exclusion are still relevant problems in Finland. *The most important elements behind these problems are unemployment, growth of income inequality, economic exclusion, economic inequality of the municipalities and their inability to deliver high-quality public services.* In this section, we take a closer look at the recent trends in Finland's employment/unemployment development, make an overview of the trends in social protection in Finland, and outline some basic features of the conclusions made on the basis of the review seminar (arranged on 16 June 2005) of Finnish NAP.

#### 1.3.1 Unemployment and Regional Problems in Finland

According to the Labour Force Survey of Statistics Finland, the number of **employed persons** was 2,395,000 in February, which is 47,000 higher than the year before. Employment increased especially among the population aged over 55. Employment improved only in the private sector. It seems that the public sector is living under some type of crisis; several offices have been closed down during the recent years. The numbers of wage earners and self-employed persons both went up. The greatest employment increase took place in the Province of Western Finland.

In February, the **employment rate**, that is the proportion of the employed among persons aged 15 to 64, stood at 67.5 per cent, which is 0.8 percentage points higher than twelve months before. The employment rate for men rose to 68.8 per cent and that of women to 66.2 per cent. Adjusted for seasonal variation, the employment rate rose to 68.8 per cent.

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Changes in the labour force 2/2005 - 2/2006, thousand persons

	February 2006	February 2005	Change, 2/05 - 2/06	%
<b>Statistics Finland's Labour Force Survey:</b>				
<b>Employed total</b>	<b>2,395</b>	2,348	<b>2.0</b>	
- wage and salary earners	<b>2,087</b>	2,060	<b>1.3</b>	
- self-employed and assisting family members	<b>308</b>	288	<b>6.7</b>	
<b>Employment rate, %</b>	<b>67.5</b>	66.7	<b>0.8<sup>2</sup></b>	
<b>Unemployed<sup>1</sup></b>	<b>219</b>	237	<b>-7.6</b>	
<b>Unemployment rate, %</b>	<b>8.4</b>	9.2	<b>-0.8<sup>2</sup></b>	
<b>Labour force, total</b>	<b>2,614</b>	2,585	<b>1.1</b>	
<b>Labour force participation rate, %</b>	<b>66.1</b>	65.6	<b>0.5<sup>2</sup></b>	
<b>Economically inactive, total</b>	<b>1,343</b>	1,357	<b>-1.0</b>	
- students	<b>387</b>	383	<b>-1.0</b>	
- persons performing domestic work	<b>83</b>	85	<b>-3.1</b>	
- economically inactive persons in disguised unemployment	<b>80</b>	73	<b>9.2</b>	
<b>Ministry of Labour's Labour Exchange Statistics:</b>				
<b>Unemployed job seekers</b>	<b>271</b>	290	<b>-6.5</b>	
- unemployed over a year	<b>70</b>	74	<b>-5.2</b>	
Employed with subsidised measures	<b>36</b>	39	<b>-5.7</b>	
In labour market training	<b>31</b>	33	<b>-6.3</b>	
In trainee and job alternation places	<b>18</b>	17	<b>3.7</b>	
<b>New vacancies at labour exchange offices</b>	<b>52</b>	43	<b>21.3</b>	

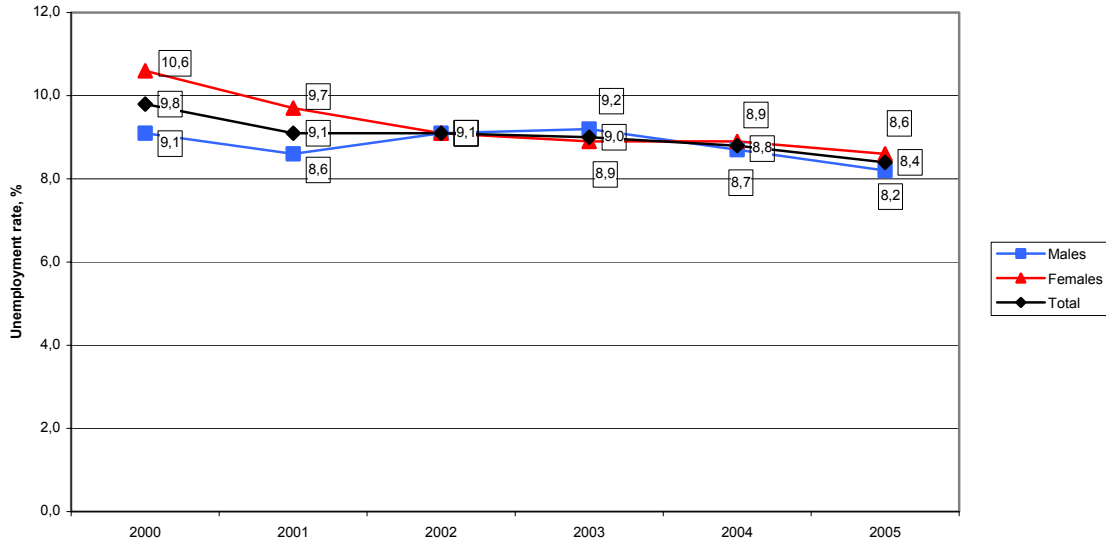
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<sup>1</sup> Based on the recommendations of the International Labour Organisation (ILO)

<sup>2</sup> percentage points

According to the Labour Force Survey, 219,000 people were **unemployed** in February, i.e. 18,000 fewer than one year previously. The **rate of unemployment** was 8.4 per cent, having been 9.2 per cent twelve months earlier. The unemployment rate for men was 8.5 per cent and that for women 8.2 per cent. Adjusted for seasonal variation, the unemployment rate in February was 8.1 per cent. In Chart 1 we have illustrated the development of unemployment rate from 2000 to 2005. The direction of unemployment rate has thus been positive but there have been no remarkable changes.

Chart 1. Development of unemployment rate, %



Source: Statistics Finland

The unemployment rate in February 2006 among young people aged 15 to 24 was 23.2 per cent. Adjusted for seasonal variation, the unemployment rate for young people was 20.1 per cent (comparison with previous years is shown in Table 1).

Table 1. Unemployed job seekers, long-term unemployed and unemployed youth from 2000 to 2004. (Source: Statistics Finland)

Year	Unemployed jobseekers, persons	Long-term unemployed, persons	Unemployed youth, persons
2000	321 125	88 996	39 961
2001	302 173	82 705	37 305
2002	293 972	77 672	36 652
2003	288 847	72 444	36 174
2004	288 420	73 057	35 708

At the end of February 2006, there were altogether 271,000 persons registered, in accordance with the Unemployment Security Act and the Employment Office Regulations, as unemployed job seekers at the **employment offices**. The number of unemployed job seekers was 19,000 lower than in February 2005. The amount of unemployed job seekers from 2000 to 2004 is illustrated in Table 1.

The number of people covered by employment policy measures was 4,000 lower than in February 2005, a total of 3.3 per cent of the labour force. There were 28,000 unemployed job seekers aged under 25 registered at the employment offices. Their number was 3,000 lower than in February 2005. During this February, 52,000 new vacancies were reported to the labour exchange offices, which is 9,000 more than in February last year.

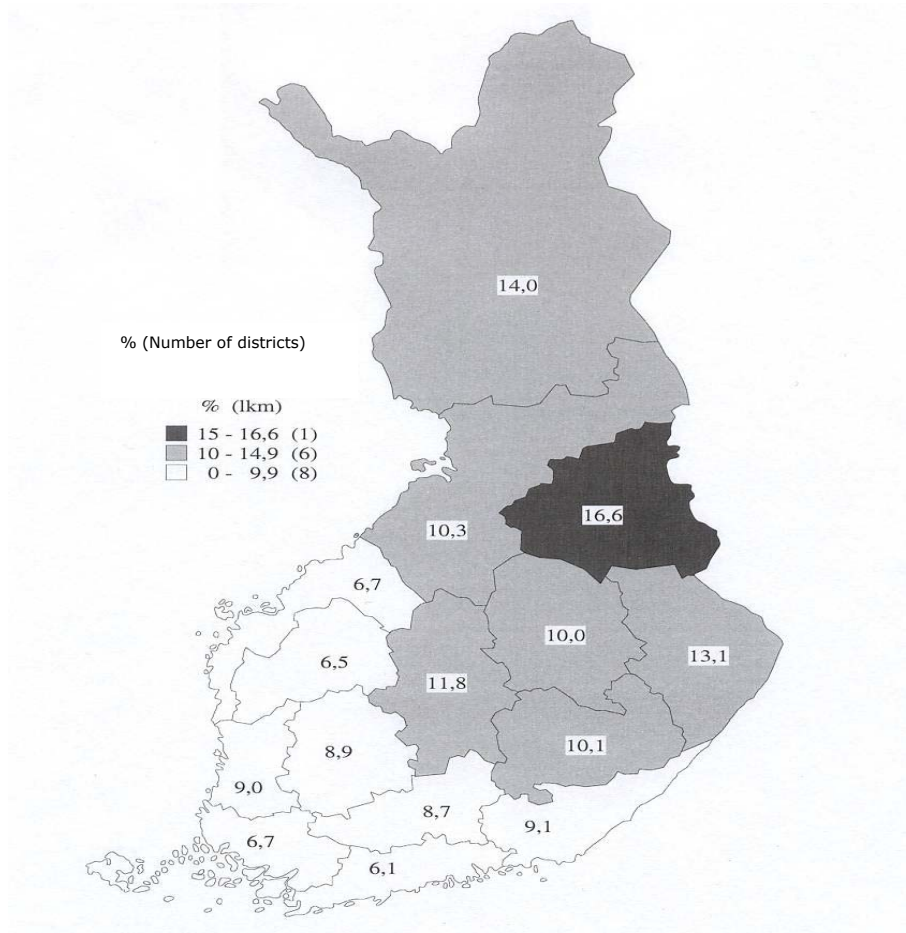
Unemployment fell from the previous year (2005) in all the Employment and Economic Development Centres' areas. The rate of unemployment was lowest in the Province of Southern Finland, 6.8 per cent, and highest in the Province of Lapland at 14.3 per cent. Observed more systemically, it seems evident that the structural unemployment mainly affects Northern and Eastern Finland. At the end of 2005, the rate of unemployment was highest in the Kainuu Region (consisting of 10 municipalities), 16.6 per cent (see figure 1). It can well be said that the problems of the Kainuu region functioned as an important starting point for the discussion on the state-municipality relationship. Joint authority of the Kainuu Region – *which can be viewed as a pioneer project in seeking solutions for improving service structures at regional and local levels* - started its operation at the beginning of the year 2005. A new era began in Kainuu on January 1<sup>st</sup> 2005, as it became the first self-governing region in continental Finland. Decisions regarding Kainuu will now be made within the region. There are some 3 400 persons working for the Joint authority of the Kainuu Region, formerly employed by the municipalities and municipal federations.

In Southern and Western Finland, the unemployment rate is much lower than in Northern or Eastern Finland. *Finland can be roughly divided into southern, western and eastern parts.* The western areas rely on a high degree of innovativeness. The regions have skill-intensive companies of various sizes. This has a positive effect on the employment rate (see Figure 1). The eastern part of Finland relies on R & D investment, possibly also on subcontracting. The eastern part of Finland has many areas where manufacturing is underrepresented. According to Hannu Piekkola<sup>8</sup>, the availability of a skilled workforce and good accessibility offer good growth prospects in southern Finland, in the present and the future. The growth is based on innovativeness in broad terms, not solely on R & D investment. The positive development of the employment rate and growth in these high-productivity areas is maintained by human capital. The service sector is over-represented, while in Helsinki employment in manufacturing is only 50% of the national average. The size of the region alone leads to the absorption of resources from other regions and a further concentration of economic activity. The high proportion of working-age population and easy accessibility give it a strategic advantage.

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<sup>8</sup> Piekkola H. (2006) Knowledge and Innovation Subsidies as Engines for Growth. The Competitiveness of Finnish Regions. Labour Policy Studies No. 294. Helsinki: Ministry of Labour.

**Figure 1. Unemployment rates by administrative districts in the year 2005, according to the Labour Force Survey.<sup>9</sup>**



*1.3.2 Trends and Problems in Social Protection in Finland: The Effectiveness of the Finnish National Action Plan against Poverty and Social Exclusion*

At the moment, no significant progress is being made in the fields of national poverty and national social inclusion programs or implementations. This can be explained by political and temporal factors. The Parliamentary elections will be held on March 2007. After these elections, the new government strategy will also show the baselines for the new national poverty and social inclusion programs. At the moment, the political parties are “pregnant with the future” and the forthcoming elections, but do not yet show their “playing cards”. The result of the forthcoming election determines the government coalition and hence partly also the direction of Finnish poverty and social inclusion policy. Therefore, the current Finnish inclusion policy is dependent on the strategies formulated in 2003.

<sup>9</sup> Työpoliittinen aikakauskirja 1/2006.

In the government's (2003-2007) strategy document, the following are listed as the most important means in combating exclusion: *reduction of unemployment, sufficient level of minimum benefits and well-functioning services aimed at special target groups*. In service provision, the special needs of immigrants are to be taken into account (this will be explained in further detail in the second 2006 semester report). Since risk factors contributing to social exclusion tend to accumulate over time, efficient co-operation between administrative sectors is called for. *Here again, we can identify a clear connection to the idea of an active inclusion policy*. Strengthening of social work, joint services and a strong multiprofessional approach are the key factors for solving this problem. Measures related to reduction of homelessness are also important for the prevention of social exclusion.<sup>10</sup>

Even though these are the baselines of the current government's social inclusion policy, it appears that the following government would follow in the footsteps of its predecessor. As noted above, the problem of long-term unemployment and well-functioning public services still await for more effective strategic and political tools and decisions. Moreover, the political views of Finland's three strongest parties (Social Democrats, Center Party and National Coalition/Conservative Party) on poverty and social inclusion are quite close to each other. This, if anything, strengthens the continuity in the means for combating exclusion. Therefore, it is reasonable to analyse the social inclusion policy of the current government and the Finnish National Action Plan against Poverty and Social Exclusion in more detail.

As noted before, the Finnish National Action Plan against Poverty and Social Exclusion is based on the model of universal social policy. In principle, all citizens are covered by the same social protection schemes and welfare services. The welfare model that in Finland is mainly tax-financed, has worked well in practice; the pursued policy has been widely supported by the citizens and it is not felt necessary to change the model.

In its NAPs/inclusion 2003–2005, Finland included quantified objectives for a number of sectors, which would contribute to reducing poverty and social exclusion. For example, raising the employment rate to 75% towards the end of the present decade is listed as an objective. This is a aim that looks difficult to attain, since the general employment rate has actually fallen slightly from 2002 onwards (2002, 67.7%; 2003, 67.3%; 2004, 67.2%; 2005 [February] 66,7% and 2006 [February] 67,5%). Even though some improvement took place in employment during the first half of 2006, the nominated figure of 75% is still a long way off.

Another set of objectives in NAPs/inclusion 2003–2005 concerns an raise in the average effective retirement age by at least 2–3 years by 2010. The challenges presented by the ageing are well appreciated in Finland, and a considerable amount of action has been designed in order to meet these challenges. The government has proposed workplace development programmes, restrictions on early retirement and legislative reforms. Although an evaluation of the precise effects and effectiveness of these measures is not yet possible, hopes are high that they will provide significant support for the set objectives. National measures, such as the NOSTE programme which aims to raise the education level of adults aged 30–59, have attracted a considerable amount of public interest.

NAPs/inclusion 2003–2005 also includes some objectives for housing: (i) to increase the annual supply of reasonably-priced rental housing to approximately 10,000 new units in 2004–2007, and (ii) to construct and acquire 1,000 new housing units a year for homeless single persons and families in the

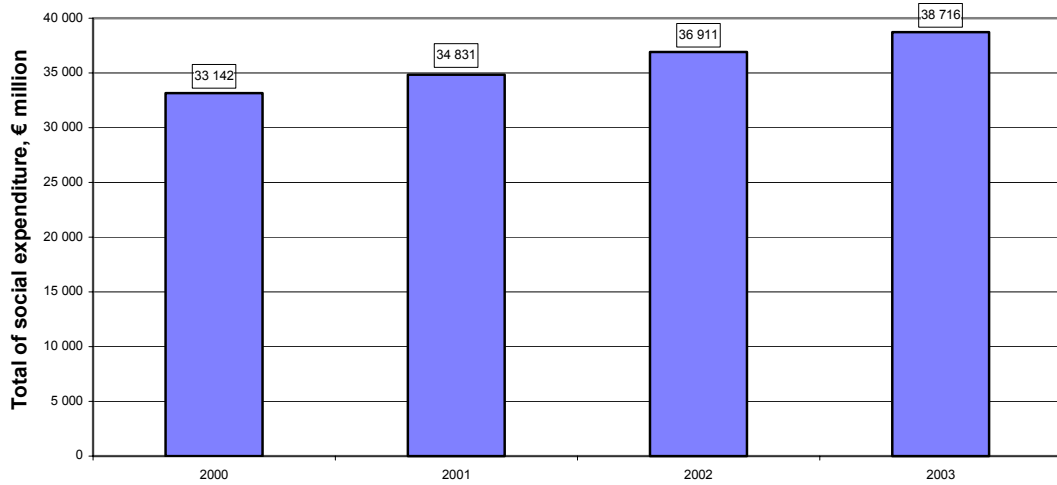
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<sup>10</sup> Trends in Social Protection in Finland 2004-2007. Ministry of Social Affairs and Health Publications 8/2005. Helsinki: Ministry of Social Affairs and Health.

Helsinki metropolitan area between 2002 and 2005. The target for new housing (10,000 units annually) seems to present quite a challenge. According to statistics supplied by The Housing Fund of Finland, the number achieved in 2004 was some 5,100 units and the estimate for 2005 is at the same level.<sup>11</sup> A study on the implementation of the action plan to reduce homelessness in the Helsinki metropolitan area has reported that the programme will achieve 80% of its target figure.<sup>12</sup>

As noted before, reducing the rates of unemployment and long-term unemployment has been an important objective for the Government. This task has not been successful. If anything, there is a tendency for growth within the area of social expenditures (see Chart 2). According to the prediction of the Ministry of Social Affairs and Health, the total social expenditure for 2006 would be 43 330 million euros.

Chart 2. Social expenditure in Finland



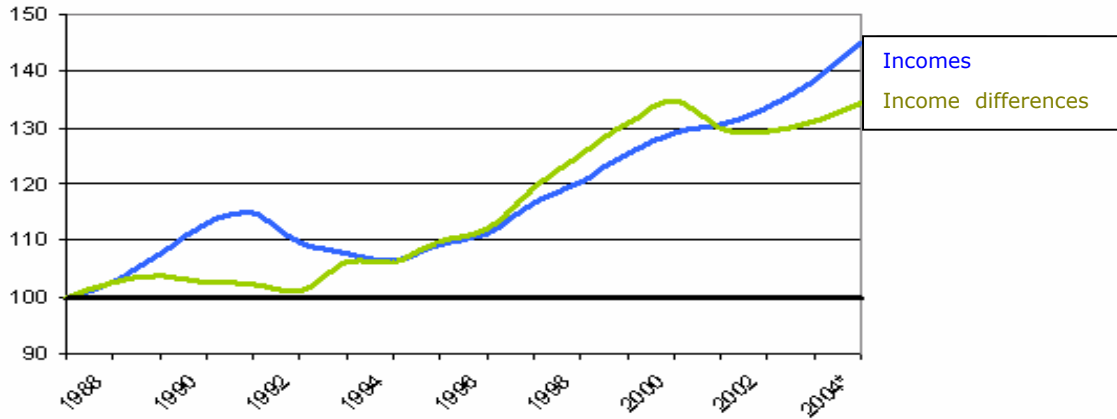
Source: STAKES, the National Research and Development Centre for Welfare and Health

Furthermore, income differences among households have increased despite of the pursued policy of social income transfers. At the same time, however, the total incomes of households have increased (see Chart 3). This seems to be a permanent trend in Finland.

<sup>11</sup> [www.ara.fi](http://www.ara.fi)

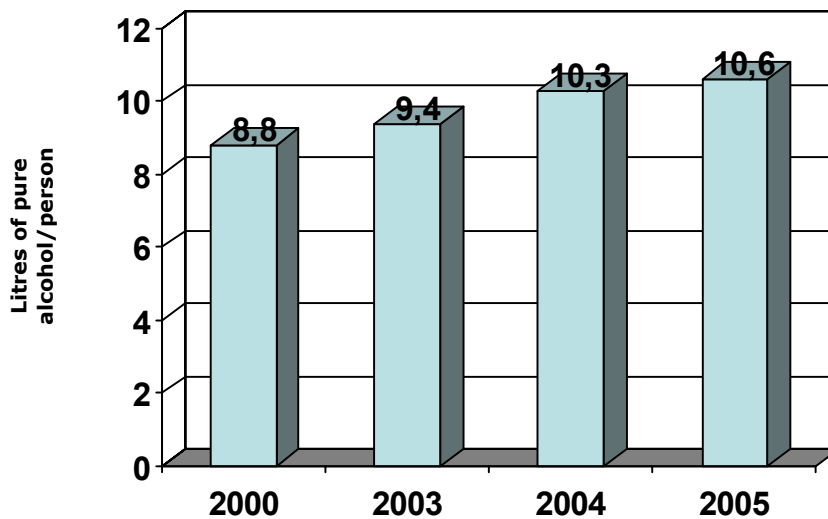
<sup>12</sup> [http://www.hel.fi/taske/julkaisut/2005/asunnottomien\\_asunmispalvelujen\\_keh\\_pks.pdf](http://www.hel.fi/taske/julkaisut/2005/asunnottomien_asunmispalvelujen_keh_pks.pdf)

**Chart 3. Median incomes and income differences of households in Finland 1988-2004. (Source: Statistics Finland)**



Inequity in terms of health is still a problem and the abolishment of restrictions on alcohol import, as well as the reduced taxes on alcohol, have increased the harms caused by excessive alcohol consumption (see Chart 4). On the positive side, from the point of view of Finnish national economy, the import of alcohol has decreased during the last couple of years.

**Chart 4. Total consumption of pure alcohol 2000-2005.**



Another positive element of recent social policy in Finland is the year-old health guarantee, which introduced time frames within the health service. These concern a person's access to consultations and treatment, and the system has clearly reformed and improved the situation in health centres, according to the monitoring conducted by the MSAH and its research wing STAKES.

The improvements have been achieved by upgrading health centre phone services, improved work sharing and making a better use of new technology through the use of Internet advice services. This type of development can also be analysed in the terms of the concept of *e-Inclusion*, which refers to the effective participation of individuals and communities in all dimensions of the knowledge-based society and economy through their access to information and communication technologies (ICT).<sup>13</sup>

The assessment concludes that the situation in health centres is markedly better than it was before the introduction of the time frames. A second phase of the time frames, which has to do with access to hospital care and treatment, became effective last autumn. One out of four residents lives in an area where access to health centres is immediate and unhindered. Better still, 96% of the population live in areas where healthcare and treatment requirement assessments can be given within three working days. About one percent of the population lives in areas where there are continual difficulties in contacting local health centres.<sup>14</sup>

#### **1.4 Structural Funds in Finland**

This section presents an overview of the relevance of EU structural funds relevant with respect to national measures adopted in the field of social exclusion. Table 2 shows all the national measures mentioned in Finland's NAPs/inclusion 2003–2005 and the role played by structural funds (ESF, ERDF) in promoting these themes. This overview is independent of what is presented in NAPs/inclusion, as the latter only includes *national* measures and funding.

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<sup>13</sup> e-Inclusion: New Challenges and policy recommendations. Co-ordinated by Daniel Kaplan. (2005) eEurope Advisory Group.

<sup>14</sup> <http://www.stm.fi/Resource.phx/publishing/documents/6682/index.htx>, 20.4.2006

**Table 2. National measures for fighting social exclusion and poverty and the relevance of EU structural funds in their implementation**

National measures in Finnish NAPs/inclusion 2003–2005	ESF (European Social Fund)	ERDF (European Regional Development Fund)
<b>1. Securing income support</b>		
- Developing the national pension system		
- Making social credit statutory		
- Co-ordinating income support and earned income		
- Increasing preventive social assistance		
- Improving the economic status of families with children	(Objective 3 programme) <sup>15</sup>	
- Developing the sickness insurance system		
- Special support for immigrants		
<b>2. Promoting health and welfare</b>		
- The <i>Terveys 2015</i> programme		
- National Health Project		
- National Development Project for the Social Welfare Field		
<b>3. Making access to the labour market easier</b>		
- Reforming the employment policy system	Eastern and Northern Finland Objective 1 programmes  Southern Finland Objective 2 programme	EU Urban II
- Developing labour market support		
- Social businesses	Equal programme	
- Rehabilitative work		
- Evaluating the potential for rehabilitation or pensioning of the long-term unemployed		
- Promoting employment for the disabled	Equal programme	

<sup>15</sup> While measures in the EU programme do not provide direct support for implementation, they are nevertheless relevant.

National measures in Finnish NAPs/inclusion 2003–2005	ESF (European Fund)	Social	ERDF (European Regional Development Fund)
<b>4. Improving the functioning of the housing market</b>			
- Increasing the supply of reasonably-priced rental housing			
- Developing support for housing			
- Safeguarding diversity in the population structure			EU Urban II
<b>5. Securing a sufficient level of education</b>			
- Improving pupil welfare			
- Developing teacher training	Objective 3 programme Equal programme		
- Promoting learning at work	Eastern and Northern Finland Objective 1 programmes  Western Finland Objective 2 programme Objective 3 programme Equal programme		
- Developing student counselling	Objective 3 programme		
- Vocational remedial education development programme			
- Reducing the number of training dropouts with performance-based financing	(Objective 3 programme)		
- Raising the level of education among adults	(Western Finland Objective 2 programme) (Equal programme)		
<b>6. Integrated measures by various actors aimed at high-risk groups</b>			
- Early intervention in children's and young people's problems	Objective 3 programme Equal programme		EU Urban II
- Organising morning and afternoon activities for schoolchildren			
- Youth participation project			
- Supporting the integration of immigrants	Eastern Finland Objective 1 programme  Western Finland and		EU Urban II

FINLAND

	Southern Finland Objective 2 programmes Objective 3 programme Equal programme	
- Implementing the National Alcohol Programme		
- Drug problems		EU Urban II
- Programmes for reducing homelessness		
- Project under the Government's equality programme to combat violence against women, prostitution and human trafficking		
- Voluntary debt-adjustment programme		
- Crime prevention	Objective 3 programme	
- Crime conciliation		
- Towards a crime-free life together		
- Projects of the Evangelical-Lutheran Church of Finland for the prevention of social exclusion		
- Focus of measures against social exclusion undertaken by social welfare and healthcare NGOs		

The objective of the **EU Urban II Community Initiative Programme** is to revive urban areas economically and socially and to enhance sustainable development. In Finland, the government allotted an Urban II Programme to the Greater Metropolitan Area, with special emphasis on developing eastern parts of the region. In connection with enhancing social inclusion, the relevant programme objectives are:

- 1) to offer opportunities for participation;
- 2) to improve employment in the area;
- 3) to support multiculturalism; and
- 4) to support co-operation between schools and homes. Total public funding for the period 2001–2006 is EUR 20,292,000, of which ERDF funding covers EUR 5,300,000. Since it incorporates more than 50 well-targeted projects, the Urban II Programme is a significant instrument in the fight against social exclusion and poverty among high-risk groups in the Greater Metropolitan Area.

The **Eastern Finland Objective 1 Programme** includes Measure 2.3 *Increasing job creation and improving the functioning of the labour market* (91 projects) and Measure 2.4 *Promoting equality in working life* (50 projects). These ESF-funded measures involve activities intended to, for example, promote on-the-job training, improve job seekers' employment potential and promote job creation, with a particular focus on people who are at risk of social exclusion from the labour market. The vision of the programme for 2006 is that regional economies in Eastern Finland will be internationally competitive and rapidly growing. Measure 2.3 includes several projects in which the objective is to develop and promote job training and youth-workshop models. These models are recognised as essential in Finland's NAPs/inclusion. There are also

ESF-funded projects which target support for the integration of immigrants. In 2000–2006, total public funding for the Measure 2.3 will amount to some EUR 90 million, the second Measure 2.4 total public funding will be approximately EUR 55 million. For both measures, the ESF-funding contribution is 50%.

Under Measure 3.3 *Raising the employment rate and preventing unemployment* of the **Objective 1 Programme for Northern Finland**, there are some 76 ESF-funded projects which: (i) increase employment opportunities for people at risk of long-term unemployment; (ii) improve the employment potential of unemployed job seekers (e.g. young people, older people, women); or (iii) integrate vocational training students into working life (e.g. vocational workshops, on-the-job learning). Total public funding for this measure is EUR 50 million (the ESF contribution is 50%). The target of Measure 3.4 is *Prevention of job-seekers' social exclusion from the labour market and promotion of equality in the labour market*. This measure has 50 ESF-funded projects and its total public funding amounts to EUR 24 million (ESF 50%).

**Objective 2** activities are targeted, for example, at preventing social exclusion and activating local communities. The Western Finland Objective 2 programme includes 65 projects and its total public funding amounts to EUR 24 million (ESF 50%). There are projects dealing with local community development, youth workshops, personal advice for immigrants and the educational situation of Romany women. The Southern Finland Objective 2 programme includes 46 projects that seek (i) to improve inclusion and integration in local communities; (ii) higher levels of education for immigrants, or (iii) improved employment potential for unemployed job seekers. Total public funding is EUR 20 million, of which ESF funding covers EUR 8 million.

**The Objective 3 Programme** includes a variety of measures and activities that are relevant for tackling the challenges of social exclusion and poverty. The objective of Measure 1.2 (344 projects) is to affect the employment of young people in a positive manner by focusing action on the points where education meets working life. Project activities such as periods spent by teachers in “normal” working life or developing the overall structure of work-based learning play an important role in implementing the national NAPs/inclusion objective of securing an adequate level of education. Total public funding of Measure 1.2 for 2000-2006 amounts to EUR 104 million, of which ESF funding covers EUR 42 million.

The Objective 3 Programme Priority 2, “Promoting equality and equal opportunities in working life”, places strong emphasis on the struggle against social exclusion. Activities under Measure 2.1 promote gender equality in education and working life and strengthen the position of women at work. Although the number of projects is quite low compared to the other measures in the programme, targeted projects such as those which focus on combining work and family life have a relatively high level of political status. The aim of the projects under Measure 2.2 (210 projects) and Measure 2.3 (120 projects) is to improve the employability of persons and groups who possess essentially-weaker labour-market and educational resources, and to strengthen their coping capacity and coping skills. According to a mid-term evaluation<sup>16</sup> of the Objective 3 Programme, the workshop projects have been effective in fighting the dropout problem and strengthening individual coping skills. Projects targeted at the long-term unemployed and other high risk groups (including Romanies and former prisoners) have made extensive use of an approach that combines comprehensive analysis of a client’s overall life situation with individualised working methods.

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<sup>16</sup> Summaries of the Mid-Term Evaluation Reports – Finnish Objective 3 Programme and Community Initiative Equal, Ministry of Labour 2004.

The main emphasis in Finland's **Equal programme** is on preventing social exclusion. Priorities in the programme deal, in a comprehensive way, with disadvantaged groups such as ethnic minorities, immigrants, and the disabled.<sup>17</sup> Development Partnerships (DP) under Measure 5.1.1 (about 25 DPs) are targeted at those groups who find it difficult to enter the open labour market. The implemented strategies include individualised working methods, activating high-risk groups, the transition from education to work, etc. Measure 5.1.2 includes more than ten DPs that promote ethnic equality and equal opportunities, and facilitate the integration of ethnic minorities into working life. Approximately 20 DPs in Measure 5.2.1 seek to develop Finnish models for social economy and social enterprises and ensure that particular features associated with these models are taken into account by the authorities. These DPs are essential for the development of social enterprises. Measure 5.5.1 includes one DP that has the aim of creating new opportunities for asylum seekers to work and study. In overall terms, the focus of the contents of the Equal programme corresponds well with NAPs/inclusion (and NAPempl). There are, however, no direct references to the Equal programme in Finland's NAPs/inclusion 2003–2005. A mid-term evaluation of the Equal programme recommended that the programme be connected to the NAPs/inclusion process in an adequate manner.

As can be seen in Table 2, structural funds, especially ESF, play a major role in supporting implementation of Finland's NAPs/inclusion 2003–2005. The relevance of the structural funds could well be greater than is realised because: (i) co-ordination between the different programmes is quite difficult; and (ii) the focus in the NAPs/inclusion process has been on national measures (i.e. governmental measures). Although the scope of government measures is quite different from that of some ESF projects, when added together these hundreds of projects have an extensive effect on improving the social inclusion situation in Finland. Implementation of NAPs/inclusion is based on governmental measures in the field of *securing income support, promoting health and welfare and improving the functioning of the housing market*. On the other hand, the implementation of national measures such as *promoting learning at work and supporting the integration of immigrants* receive strong support from EU structural funds.

### Comments

The current Finnish system of promoting objectives and implementing measures against social exclusion ought to be analysed in the light of the Finnish social policy system (and especially taking into account the division of labour between the Ministries and government agencies). One should bear in mind that there is no specific policy domain for initiatives aimed at inclusive policies. This policy theme is covered by various policy approaches and objectives by different Ministries and government agencies.

As a whole, one might say that the Finnish NAPs has not been a "success story". It was thought to have enhanced and strengthened the co-operation between various actors. Cross-sectoral co-operation in issues related to poverty and social exclusion has increased, but the co-operation practices require further developing. NGOs in particular felt that the preparation of NAPs and the monitoring of their implementation has provide them with a new channel for influencing the national decision-making. A latent risk in that co-operation is, however, that if the NGOs are too closely engaged in advocating jointly agreed objectives, their primary mission – i.e. to look after the interests of their members – can be jeopardised. Moreover, the labour market organisations were of the opinion that broad-based co-

<sup>17</sup> Ibid.

operation between them and the Government existed even before the preparation of NAPs.

Involving the local level in the work of planning actions to combat poverty and social exclusion is still considered a challenge. *One way to solve this challenge is the (possible) new municipality model. Another way is through putting an emphasis on program and project orientation.* The projects concentrating on combating poverty and social exclusion are often financed by European Social Fund (ESF) or European Regional Development Fund (ERDF). According to an evaluation group of the Ministry of Social Affairs and Health, local actors have experienced EU co-operation either as alien or as a very bureaucratic project activity, through which contacts with the other Member States has, however, increased. The reporting system – with its tight schedules and pace – has increased the administrative work of authorities, but the benefit for it is not always concretised in practical actions against social exclusion.<sup>18</sup>

However, there are two sides to the coin. According to our view, control over the functions, values, reliability and results of the projects, targeted to prevent poverty and exclusion, is nowadays inadequate. Moreover, the Ministry of Social Affairs and Health has no reliable indicators with which to measure the actual results and social capital produced by the ESF/ERDF funded programs and projects.

What happens outside the Finnish NAP and governmental activities, is not always brought to public attention. As seen above, Finland has several national and regional projects dealing with the problems of poverty and social exclusion. These projects specialise for example in drug problems, immigration and violence, learning accessibility and long-term unemployment. Hitherto, it has been a major problem to call in the results and good innovations of the projects, sometimes even models which could be used all over the country. Moreover, there seems to be an evident demand for projects specialised in the problems of personal e-Inclusion.

## 2. Active Inclusion with Minimum Resources

In this chapter, we will analyse the recent trends of active inclusion in Finland. We will concentrate especially on the recent (grass-root and national) activities that have a bearing on labour market participation, active labour market policies and the role of social partners and NGO's in the combat against poverty and social inclusion. We will also provide an overview of a number of good practices.

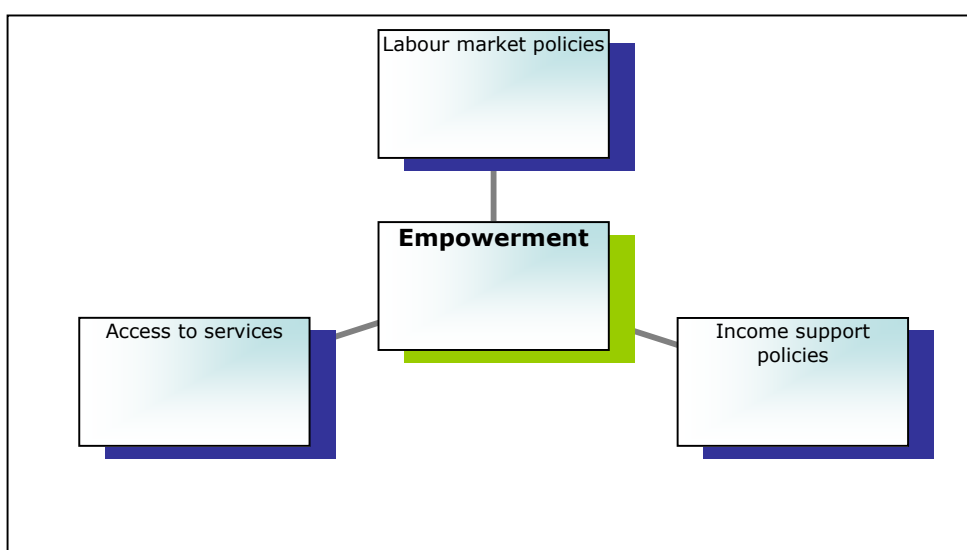
The Concept of active inclusion is a combination of four elements:

- 1) **labour market policies** (a link to the labour market through job opportunities);
- 2) **income support** at a level that is sufficient for people to have a dignified life;
- 3) **better access to services** that may help remove some of the obstacles encountered by some individuals and their families in entering mainstream society,
- 4) thereby supporting their **empowerment** and their re-insertion into employment (through, for instance, healthcare, child-care, ICT training etc.). From our point of view, this type of “umbrella policy” (called active inclusion) means the *encompassment of the entire population in the active performances of politics. On the one hand, this deals with access to the social benefits and, on the*

<sup>18</sup> Finnish National Action Plan against Poverty and Social Exclusion – implementation report 2005. Ministry of Social Affairs and Health.

other, dependence of individual modes of living on them. The goal of the policy is that – to the extent that active inclusion is achieved – those groups disappear which 1) do not participate in social living, or 2) do so only marginally. All the three policy sectors combat exclusion jointly. In order for the synergy of the policies to work optimally, they must be carefully budgeted and shown to be cost-effective in the long run. They seek long-term solutions for the problems of unemployment, poverty, health and social inclusion, with minimum resources. We have illustrated the model of active inclusion in figure 2.

**Figure 2. The policy elements of active inclusion**



## 2.1 A review of the Finnish national Minimum Income schemes

When adopting the budgets for 2005 and 2006, the Finnish Parliament presupposed that the Government will estimate, on the basis of its programme and the studies under way, the need to improve the situation of the *people with the lowest incomes* as well as make proposals for necessary measures.

When deciding on the spending limits of the state economy for 2006-2009, the Government promised to pay particular attention to improving the position of the people with the lowest income levels. It decided to carry out a reform of the labour market support system and to support labour-intensive businesses and service provision by lowering the employers' contributions. In addition, *the Government promised to make, in the context of the preparation of the budget proposal for 2006, decisions on other necessary measures for improving the income of people on the lowest income levels.*

The Government has decided to support the most vulnerable groups of people in its budget for 2006. The proposed measures will increase the government expenditures by approximately 33,5 million euros in 2006, and approximately 90,3 in the next years. The proposal includes *abolishment of the client's own payment share of housing costs, 7 per cent, starting from September 2006.* This reform helps those 70 000 households that are living permanently on social assistance.

*The rate of the national pensions was raised on September 1<sup>st</sup> 2005 by 5 euros. This increase has benefited both the recipients of just the national pension and the recipients of small earnings-related pensions. The minimum tax-exempt amount of the remuneration paid for work at workshops maintained by local authorities for people with disabilities was increased from 9 to 12 euros. This increase benefits the recipients of the remuneration on small incomes. The majority of them are people with mental disabilities and mental health rehabilitees whose only source of income is the national pension. At the moment the number of the recipients is about 6800.*

*Long-term unemployed persons will be entitled to rehabilitation allowance for periods of rehabilitation for substance abuse. This allowance will be paid to approximately 3000 persons, and it will improve their rehabilitation with a view for re-entering the labour market. Long-term unemployed people's return to work is supported by an amendment to the housing allowance, so that the payment of the housing allowance continues for three months in full amount after a person who has been unemployed for more than one year obtains a job. The amendment will support getting employed and prevent the recovery of an allowance paid to a person. The amendment encourages people to get employed, since accepting a job will no longer immediately mean a cut in the housing allowance. This reform concerns 3000-5000 people, who will benefit 200 euros a month from it.*

With regard to the reform of the labour market support, the Government agreed, during negotiations over spending limits, to submit to the Parliament 2005 budget and law proposals its view for enhancing the active use of the labour market support. The reform of the labour market support aims, in particular, to improve the situation of long-term unemployed people.

In Finland there are hundreds of local projects which directly concern the struggle against poverty and extreme social exclusion. Loimaa's regional Rainbow project, for example, focuses on the excluded and unemployed people who are over 25 years old. The project is funded by ESR and monitored by the Ministry of Social Affairs and Health. The Project has founded several houses for the unemployed, wherein they can practice everyday working activities (i.e. train their computer skills and solve everyday problems). In addition to this, the project has built a network, through which is easier for the unemployed to find working and training places. The project has acted successfully in co-operation with several municipalities (Loimaa, Aura, Karinainen, Koski t.l., Marttila, Mellilä, Oripää, Pöytyä, Tarvasjoki and Yläne), and developed established practices and tools for combating regional exclusion.

What makes this project an exception is its multifaceted form. In addition to the tangible "activation houses" and the network, it has focused on training and rehabilitation. Its operative organisation is the Professional Institute of Loimaa (Loimaan ammatti-instituutti). The institute is a multidisciplinary educational institution established in 1994 by incorporating six independent schools and colleges under the administration of eleven municipalities acting as a single federation. It aims to provide educational services for students of all ages qualifying for different trades and professions. The project has offered different types of courses for the unemployed, but also for the social workers of the different municipalities. Moreover, it has provided successfully arranged rehabilitation for both the long-term unemployed and for people who have mental or alcohol-related problems. Loimaa's Rainbow project can thus be seen as an exemplary way of preventing poverty and social exclusion. The most important elements behind its success are its motivated and professional project workers, combined with the high motivation of the clients and a functional network.

A national project called 'Omakymppi' will be initiated during 2006 in order to support the return to education and training of young people (at least 200) who have dropped out of school. The project will provide diverse additional teaching in order to ensure that young people get access to education. The youth workshop activities will be made permanent, so as to prevent exclusion of young people from work. Young people with

educational difficulties are supported and helped in getting education and entering the labour market. In 2007 the project will be subsidised by 1,5 million euros by the Government.

## 2.2 Other Recent Activities With Regard to Poverty and Social Exclusion

According to the Ministry of Social Affairs and Health, a growth in the employment rate is a prerequisite for the development of social security. A key factor behind the growth of the employment rate is people's *motivation* for finding new working opportunities. However, Finland does not have enough public resources to motivate all excluded people. Therefore, the problems of motivation can only be solved through an active co-operation between the public sector (ministries, municipalities), the private sector (companies) and the third sector (NGOs).<sup>19</sup> By addressing problems of motivation, the Ministry of Social Affairs and Health is evidently also emphasising "*softer*" or *more qualitative tools for making the combat against poverty and social exclusion more effective*. In other words, quantitative measures (unemployment rate, the number of municipalities etc.) alone cannot form the backbone of the combat against poverty and social exclusion.

An important problem behind active inclusion is *the difficulty of finding qualified staff for social offices and health centres*. This is also one reason that makes it impossible to solve the motivation problems of excluded people by social and employment offices alone. According to the latest Sociobarometer, the staff resources were found lacking in one third of the social offices and sufficient in a quarter. In 41% of the health centres, it was found that the amount of staff was insufficient, in 19% suitable. In more than a half of the health centres, finding qualified staff was considered a problem. 70% of the health centres had hired private practitioners to relieve the shortage of doctors last year.

Amongst the social offices, about 40% have had problems with finding qualified staff, whereas the corresponding percentage five years ago was about 25%. It is especially difficult to get a sufficient number of qualified and professionally skilled employees for social work (qualified social workers) and for the care work required by the elderly. Therefore, 71% of social offices and 79% of health centres have made use of price competitions in the production of services. In the remaining units, there have been no alternative service providers available in the area, or there has been no need for competition. It was estimated that above all, the competition process increased the amount of administrative work. A great number of interviewees thought that the use of services produced by private enterprises as well as the availability and variety of services has increased – but so have additional costs.<sup>20</sup>

Moreover, most social offices and health-care centres and approximately one half of the offices of The National Insurance Institution have made purchase contracts on services with non-governmental organisations. As a result of this, there are various pressures against the production of services by non-governmental organisations, which may bring their support and hence the services, too, to an end. Most social offices have no chance to take new tasks from the NGOs. From these points of view, the active inclusion with minimum resources – produced by social offices and health-care centres – composes a real problem in Finland. At the same time, these problems must be solve if the seven key priorities are to be followed – particularly those of modernising social protection systems and improving access to quality services – that are identified in the 2005 and 2006 Joint Reports on Social Inclusion and Social Protection.

<sup>19</sup> The Direction of Social Security 2005-2006 (only in Finnish). (2006). Ministry of Social Affairs and Health. 1/2006.

<sup>20</sup> The Sociobarometer 2006. The Current Situation of the Producers of Welfare and Theirs Views on Citizens' Welfare in Finland. Eronen, A; Londén, P; Perälähti, A; Siltaniemi, A and Särkelä, R. The Finnish Federation for Social Welfare and Health. Helsinki.

However, there has been much discussion on the problems of social work and its effectiveness in reducing exclusion. In a recent publication, the Advisory Board on Social Work outlines the main guidelines for the development of social work until 2015.<sup>21</sup> The publication sums the challenges for social work in the near future in four strategic development guidelines:

- 1) development of work orientations in social work into a skill basis;
- 2) adjusting the structures and organisation of social work to comply with the skills in social work and client needs;
- 3) strengthening the clients' inclusion and the ethical quality of social work; and
- 4) focusing the education and research in social work on basic research in the field and on responding to the rapidly emerging social changes. Since the guidelines are interlinked, they must all be advanced simultaneously.

The objective is to create a social work profession of a new type that consciously shifts from a reactive, corrective profile of social work functioning in welfare state systems towards a preventive, reinforcing, effective and partnership-based social work. A further precondition for a strengthened social work is a strong societal discourse and a view on the emergence of social problems. *In the future, the aim of social work must be to support the individuals' and community's self-motivated actions in a sense both anticipating and remedying social problems. As a societal form of intervention, social work secures the well-being of citizens while simultaneously maintaining communities' social security and welfare, ie. social inclusion.*

The recent development in the national legislation concerning poverty and social exclusion has not been very innovative. One of the most positive government bills in this domain is the bill focusing on "Activating labour market support and reforming employment subsidies". The Government proposed a reform on the labour market support that has become a passive support for the long-term unemployed. The reform of the labour market support aims to increase the employment rate, secure future labour needs, reduce the high unemployment rate, and reduce the public expenditure for tackling long-term unemployment. The reform helps to reduce long-term unemployment and prevent the rise of new long-term unemployment.

### Comments

The theme of active inclusion has been on the agenda of the political debate for quite some time now. Practically all political parties have addressed the theme and it will most likely be placed high in the political parties' agenda in next year's Parliamentary election. At the level of political rhetoric, the theme of better co-ordination of inclusive measures has been a timely topic.

The main problem of developing more efficient active inclusion policies, initiatives and measures relates, in fact, to co-ordination inconsistencies and deficiencies. Labour market policies, income support schemes, as well as public services have been developed as their own entities and now the problem lies in the interlinkage between the necessary legislation and the aim of achieving better approaches to active inclusion and empowerment.

However, interesting development activities have taken place in this field. New kinds of employment

<sup>21</sup> Social Work as a Tool of the Welfare Policy (only in Finnish). (2005) Ministry of Social Affairs and Health. 13/2005.

service centres (työvoiman palvelukeskus in Finnish) have been set up in order to achieve a better integrateintegration of the labour market demand and supply. So far, there has have not been no full-blown scale evaluations onfor this kind of development activity. The Ministry of Labour has commissioned an evaluation focused on consultancy, which should also discuss these questions. The results from this evaluation ought to be available in 2006 or 2007.

As a whole, the active inclusion “policy” has so far been implemented largely by national programmes, national projects as well as local projects. It must be noted that the grass-root level of different activities against poverty and social exclusion should not be underestimated. In the future, there should be more such projects that are able to develop long-term tools and models via which excluded people can be helped in an unofficial way. By creating this type of “low-threshold” service centres, projects are better able to help the difficult situation of social offices.

Following the recent debate, qualitative tools seem to be gaining importance in the combat against social exclusion. One of Finland’s biggest problems in the development of active inclusion with minimum resources is the difficulty of finding qualified staff for social offices and health-care centres. Therefore, the need for co-operation between different service producers can be seen as one central factor for the development of more active inclusion models. To conclude, it is the ministries task to create the strategic core for the combat against poverty and social exclusion (i.e. the various programs) but the operative responsibility in this combat must be shared with state officials, private service producers and projects (which can create “low threshold” service centres).

## Conclusion

Poverty and social exclusion remain serious problems in Finland. The most important factors behind these problems are unemployment, growth of income inequality, economic exclusion, economic inequality of municipalities and their inability to deliver high-quality public services. Moreover, difficulties in finding qualified staff for social offices and health-care centres may also be regarded as a major problem affecting the effectiveness of different inclusion mechanisms. These problems have already been identified by the Finnish NAP 2003-2005 and the government’s 2003-2007 strategy, but for one reason or another, the action plan or the strategy have not been entirely successful.

In addition, Finland has a number of national programs (such as TYKES, VETO and KESTO) which are trying to affect the situation of long-term unemployment and poverty in various ways. There are also hundreds of regional and local projects which have developed specific models targeted to relief the life situations of long-term unemployed and excluded people.

With regard to the future planning of EU-funded initiatives (such as the Progress Programme, for instance), the preparations seem to be well underway at the Ministry of Social Affairs and Health. *The Ministry has adopted a more strategic approach to the programming, and plans to give greater implementation responsibility to the regional authorities (State Provincial Offices in particular).* This change may be considered highly appropriate, since it makes clearer the division of labour between the Ministry of Social Affairs and Health and its subordinate authorities. Furthermore, it should be added *that in the future, EU-funded initiatives and related project implementation should focus more on larger projects (in terms of volume), social innovations and additionality aspects.*

Finland has a governmental election on March 18<sup>th</sup> 2007. Hence the discussion on social exclusion is likely to liven up in the near future. It is another question whether or not the rhetoric discussion leads to actual models for the prevention of poverty and social exclusion at a national level? Despite the results of the election, Finland is faced with several challenges with regard to the problems of poverty and social exclusion.

- Challenge 1: Securing the availability and quality of social and health services. Securing the quality of staff of social offices and health centres.
- Challenge 2: Developing a municipality model which is accepted by different regions and all citizens, and which, optimally, can act as a source of relief for the socially excluded.
- Challenge 3: Equalising the problems of unemployment between the different districts (especially between Eastern and Southern Finland).
- Challenge 4: Finding new ways and developing new models for tackling the multi-dimensional challenges of social exclusion. Developing "inclusion paths" for excluded people, i.e. co-operation between strategic policies, private service producers and "low-threshold" service centres.
- Challenge 5: Preventing the continual mass dismissals of employees.