

## **POVERTY WATCH**

### **POVERTY WATCH REPORT FINLAND 2020**

#### **EAPN-Fin 2020**

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European Anti-Poverty Network Finland EAPN-Fin

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### **1. Poverty has not disappeared from Finland**

This report of the European Anti-Poverty Network Finland (EAPN-Fin) presents the latest statistics on poverty, along with the network's views on how poverty might be reduced in Finland. EAPN-Fin is part of the European Anti-Poverty Network. It is open to all organisations, groups and individuals who combat poverty and marginalisation. Its objectives are to improve the situations of people living in poverty and to promote social rights, basic social security, welfare and independent life management, as well as inclusion of people experiencing poverty.

Finland is doing fairly well in poverty assessments compared with other countries, and yet there are individuals in this country – deemed the happiest country in the world – who struggle for survival. In spite of efforts, the number of people in the low-income bracket or at risk of poverty has not diminished significantly in recent years. The latest figures are from 2018. The COVID-19 pandemic of 2020 is expected to worsen the situation.

During the term of Prime Minister Sipilä's government, 2015–2019, the livelihood of low-income households was weakened by cuts in basic social security and other measures, while the increased employment rate made life easier for many.

After the 2019 parliamentary elections, poverty prevention returned to government policy: whereas PM Sipilä's 2015 government programme mentioned poverty only once, and even then only in connection with foreign policy, the 2019 programme of then-PM Antti Rinne includes several approaches for addressing the risk of poverty and exclusion.

Since the handover of premiership to Sanna Marin in late 2019, the Government has committed to implementing the same programme, which among other measures promises to improve basic social security. Some measures have already been implemented.

Although the steps lead in the right direction, they are not enough to ensure the attainment of the anti-poverty objectives Finland committed to under the Europe 2020 strategy of the EU and as part of the national implementation of the sustainable development goals of the UN and Agenda 2030. The coronavirus epidemic presented a new challenge for 2020 and the future.

The epidemic has made life difficult for many people. It remains to be seen whether the situation will make people realise that poverty is a condition that can befall us all. That would be welcome indeed, particularly since attitudes towards the poor have been rather harsh in Finland.

The quotations in this report are stories from the lives of people who have experienced poverty. It is vital that people experiencing poverty are heard in society and that their views have an impact on policy decisions. From a social equality perspective, it is important to have people with experience of modern poverty involved in decision-making bodies alongside researchers and experts.

A society that is able to protect and support people in the most vulnerable position is one that is safe for everyone.

*“When poverty is prolonged, it can become part of your identity. Some people can have a self-fulfilling prophecy about poverty: ‘I have always been poor, I’ll always be poor.’ When poverty persists long enough and you don’t get enough help from society, it’s really hard to try to find a way out of poverty. Prolonged poverty and struggle for daily survival take their toll on you. Anywhere you look, poor people are underdogs in society. Finland is not yet equal for everyone.”*

## **2. How is poverty measured and defined?**

There are various concepts and indicators that are used to define poverty. Each has its own strengths and weaknesses. A comprehensive view of poverty should be constructed using several methods of description and measurement.

### **Poverty as relative deprivation**

#### **Poverty/low-income threshold**

Most poverty in Finland is relative, that is, deprivation compared with the living standard of the population at large. Relative poverty is generally defined using the at-risk-of-poverty (AROP) concept. The threshold of poverty or low income is defined as net income that falls below 60% of the national

median disposable income of households. A household is poor when its net income is less than 60% of the median income level of the population. The 2018 at-risk-of-poverty threshold in Finland for a one-person household was about 1,250 euros per month.

The share of people in the low-income bracket is called the low-income or at-risk-of-poverty rate. The EU's statistical office, Eurostat, uses the limit of 60% of median income; the OECD limit is 50%.

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

Along with at-risk-of-poverty, the EU also uses another indicator: AROPE – at risk of poverty or social exclusion – which consists of several factors. A person or household is at risk of poverty or social exclusion if they satisfy one or more of the following conditions: low income, underemployment or severe material deprivation. Severe material deprivation in turn requires of at least four conditions out of nine, including factors such as coping with unexpected expenses, having a washing machine and telephone, keeping the home adequately warm and adequate nutrition.

The AROPE indicator is used to monitor the achievement of EU's Europe 2020 poverty reduction target. The goal for 2020 has been to reduce the number of people AROPE by 20 million compared with 2008, when the figure was 116 million. Finland is committed to reducing the number of people living in poverty by 150,000; this means that the total number of Finns AROPE in 2020 should be 770,000 at maximum.

### **Minimum budget poverty indicator – living on an income inadequate for basic necessities**

Indicators have been devised to describe poverty that are based on basic needs, a reference budget or a minimum budget. These indicators also tell us about absolute poverty – the fact that the minimum needs of nutrition, clothing or housing are not met. Minimum budgets are baskets of goods and services that are calculated to provide the basic necessities for households.

The poverty indicator based on a minimum budget indicates the proportion of the population living in households whose disposable income is insufficient in covering decent minimum consumption. Unlike with the low-income threshold, the minimum budget calculation also takes housing expenses into account. Moreover, the poverty threshold based on minimum budget varies with age and stage of life, because it also considers variance in housing needs and how it impacts the cost of housing.

Because it is based on reference budgets, the minimum budget poverty indicator has limitations. For example, reference budgets apply to the situation of healthy people and make no allowances to large expenses incurred by illness.

### **Poverty also consists of personal experiences**

Poverty is more than just material deprivation, and money and statistics cannot provide a full picture of the condition. Personal experiences also need to be considered. Self-definition can sometimes be more compelling than what a researcher – or any other person examining criteria crucial to deciding who is poor – sees. Nor do persons living in circumstances of great scarcity necessarily see themselves as poor.

Experiential data on poverty have been gathered and analysed in many contexts in recent years. From 2010 to 2017, the Finnish Institute for Health and Welfare (THL) conducted a survey of health and well-being among adults in which one of the areas surveyed was experiences of poverty. It has since been replaced by the FinSote national survey of health, well-being and service usage. Among other things, the survey asks respondents whether they are apprehensive about food running out before they earn enough money to buy more.

Experiences of poverty were collected in the 2006 Everyday Experiences of Poverty writing competition, with follow-up material collected in 2012. The competition was held again in 2019.

Without the inclusion of personal experiences, the view of poverty would be cold and bleak, and many relevant aspects would remain in the dark. In the 2010s, Eeva-Maria Grekula asked people experiencing poverty how they themselves would define poverty, and the responses focused primarily on the lack of money and resulting lack of opportunities and freedom to participate in activities and society. Poverty also carries with it many negative emotions, such as fear, anxiety, sadness and shame. Asked about their plans for the future, four out of five of the more than 500 respondents reported that poverty has affected their plans, and many reported outright hopelessness.

*“Poverty is having to constantly think about what you can buy or pay so that the money will last to the next benefit check. It’s having to plan your weekly menu so that you can stretch 10 euros to last for the entire week or even longer. It’s also having to borrow money from others if you can’t get it in time from anywhere else. It’s a constant stress about how to support and clothe yourself and how to keep your home.”*

### **3. How has poverty developed in Finland?**

Simulation calculations published by SOSTE in 2020 show both income disparity and poverty increased in the period between 2016–2019. Cuts made in income transfers in 2015–2019 affected people in lower-income categories in particular, while tax breaks favoured higher-income categories.

#### **At-risk-of-poverty rate has remained stable in recent years, around 12%**

In the 2000s, relative poverty was at its peak in 2008 and 2010, when the number of people in low-income households was about 728,000. The increase in the low-income population stopped after 2010, and the number decreased slightly. Since 2012, it has been less than 700,000.

In 2018, the at-risk-of-poverty threshold for a one-person household was about 1,250 euros per month, and the number of people in that category was 640,000, or 11.8% of the population, down slightly from the previous year. The at-risk-of-poverty rate has remained roughly the same in recent years, around 12%.

The number of households experiencing subsistence problems fell in 2019: 6.7% of households had difficulty or great difficulty making ends meet. The share of households experiencing difficulties making ends meet has diminished in the past few years, but the pandemic is likely to increase that number.

The number of people living under the poverty threshold defined by the minimum budget has been monitored since 2012, when it was slightly under 10% of the population. The minimum budget poverty rate was 7.8% in 2016, or about 418,500 people. The minimum budget limit for a person living alone in rental housing was 1,062–1,224 euros per month, depending on location.

#### **The number of people at risk of poverty or social exclusion fell slightly**

In 2018, around 856,000 people, or 15.6% of the population in Finland, were at risk of poverty or social exclusion (AROPE). The figure for the previous year was 890,000.

Women are slightly more AROPE than men. The figures for 2018 were: 16.1% of women (444,000 individuals) and 15.4% of men (412,000 individuals) were at risk of poverty or social exclusion.

There were 640,000 people in low-income households (654,000 the previous year); 370,000 were underemployed (410,000 the previous year); 133,000 were in households with severe material deprivation (143,000 the previous year).

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

In 2018, there were about 243,000 people, or 4.5% of the population, living exclusively on basic social security. The number has increased by about 49,000 individuals since 2010. The number of long-term dependants on basic social security in particular increased throughout the 2010s. Their number in 2018 was 98,100, compared to 61,097 in 2010. For nearly 500,000 people, basic income benefits accounted for more than half of their total income.

### **The number of no-income households has doubled**

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

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

- Number of people at risk of poverty or social exclusion in 2018: ca. 856,000 (-)
- Number of people in low-income households in 2018: ca. 640,000 (-)
- Number of children in low-income households in 2018: ca. 112,000 (-)
- Number of recipients of social assistance in 2019 was 452,991, of whom 27.6% (82,317) received long-term support (-)
- Number of unemployed jobseekers in 7/2019: about 268,900 (-), of whom about 65,100 were long-term unemployed (-). Due to the coronavirus pandemic, the number has increased: in 7/2020 there were 387,500 unemployed jobseekers and 77,700 long-term unemployed.
- Severe material deprivation was experienced in 2018 by 133,000 people (-)
- Bread lines saw about 20,000 people per week the past few years. The number of food aid customers is estimated to have doubled or tripled during the pandemic (+)
- Number of homeless single people in 2019 was 4,600; the number of homeless families and couples was 264 (-)
- Undocumented migrants in 2019, estimate: 3,000–10,000

## **4. Who are affected by poverty and what are their key challenges?**

Generally speaking, the underlying causes of poverty include prolonged periods of unemployment, intergenerational exclusion, low levels of education, having a large number of children, single parenthood or single living, long-term illnesses, full or partial incapacity for work owing to disability, and problems with intoxicants or mental health.

### **Poverty affects families with children long into the future**

According to Statistics Finland's latest Income Distribution Statistics (2018), the low-income rate for households with children was 10.5%, affecting 112,000 children.

The at-risk-of-poverty rate of children usually follows the development of rate in the population at large. This year, the figure fell slightly from last year's 11.1%. In recent years, the share of children living in low-income households was just over 10%.

The at-risk-of-poverty rate among children is linked to the number of working-age adults in the household: more than 8% of children living in two-adult households are in the low-income bracket, whereas the figure for children in one-adult households is almost one in four.

Because the foundation of wellbeing is established in childhood, poverty often spans generations of a family and has far-reaching effects. Longitudinal studies of an entire age group – Finnish Birth Cohorts 1987 and 1997 – have shown that family background affects a child's health as well as success in school. Significant contributing factors are changes in the family's circumstances (such as divorce), prolonged periods of living on social assistance, a parent's psychiatric diagnosis, and parents' low level of education. The link between children's poor health and family background is particularly strong in families affected by several such stress factors.

Efforts to quell the trend towards inequality have failed, and the coronavirus pandemic threatens to exacerbate it further.

*"Poverty is most acutely felt in parenting, when you're unable to give your child the same things their peers have, and you're afraid of the onset of winter; where will you get the money to buy clothes? Everything is second-hand, old stuff from other people. You must try to do everything yourself. On the other hand, it's also about attitude – money is just money. You can't buy presence and love, you can't buy joy."*

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

One quarter of 18–24-year-olds live in low-income households. Young adults are typically students or at the beginning of their careers; some are unemployed. Nearly 29% of students were in the low-income bracket in 2018.

In 2018, 51,000 young people aged 15–24 were unemployed or not pursuing education nor in military service, accounting for 8% of the entire cohort. Among them, 38,000 were aged 20–24. The number of youth in the 15–24 age group who are neither working nor in education fell by 6,000, or 11%, from 2017.

Nearly 12% of men born in 1987 are in danger of becoming permanently excluded from the labour market. Their weaker transition into the world of work is due to unemployment, disability and illness. If absence from the labour market becomes prolonged, opportunities diminish and income remains low, which is later reflected in their pension.

People who were in foster care as children were, as young adults, much more seldom on a path that leads to study and employment: the percentages of those on the path were 38% for those in foster care as children, 76% for other young adults. Among young people who had grown up in foster care, boys were more often than girls on a life path in which income support alternates with periods of unemployment. Girls with a background in foster care were much more likely to be on a path by the age of 20, on which having children and caring for them were their main occupation.

## **Increasing prevalence of irregular and uncertain employment increases the risk of poverty among the employed**

The risk of poverty among the employed in Finland was the lowest in the EU in the 2010s: 3.8% in 2012 and 2.7% in 2017. In many other EU countries, the poverty rate among the employed has increased; notably it is currently greatest 17.9% in Romania.

Just as in other EU countries, in-work poverty in Finland is most prevalent among immigrants from outside the EU, independent professionals and households with low work intensity, single mothers in particular. The weak position of immigrants is in part due to the fact that they tend to be independent professionals or employed in low-wage sectors where risk of poverty is greatest.

Background factors contributing to in-work poverty include irregular and uncertain employment, such as short-term or temporary work, as well as self-employment.

Of all 2,220,000 wage earners in Finland in 2019, some 350,000 were in fixed-term employment, a share equal to that of the previous year, 16%. Among them, 207,000 were women, 143,000 men. Of those in fixed-term employment, 64% said that they were in temporary employment only because of the lack of permanent employment.

The number of underemployed people in 2019 was 138,000, nearly as many as in 2018. Underemployment means that the person would like to have more work but is forced to work on a part-time or reduced schedule, or they do not have work because they were laid off or the employer does not have enough customers. Among the underemployed, 62% were women.

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

The increasing prevalence of temporary and part-time employment may lead to higher levels of poverty among pensioners, because not much pension accrues from such work.

*“The money is not enough for the whole month. At the end of it you have to live with just a few euros per day, eat pasta and other cheap food until the next payday. You are behind on bills all the time. Any sudden expense will screw up your finances for a long time. You’re depressed because you can’t do anything nice that must be paid for. You feel life is passing you by. Even though you’re working, you still can’t make ends meet. If you’re single, you don’t get any benefits, even though you alone pay all the same bills and expenses as people with a family.”*

## **Risk of poverty among the unemployed grows as unemployment drags on**

Unemployment leads to reduced income, and risk of poverty grows significantly with prolonged unemployment. In 2018, around 40% of the unemployed were in the low-income bracket.

The pandemic has had a significant impact on the increase in unemployment. In July 2020, there were 387,500 unemployed people in Finland, which is 118,600 more than in 2019. The number of people in long-term unemployment – those who have been unemployed jobseekers for at least 12 months – was 77,700, which is 12,600 more than last year.

The probability of long-term unemployment grows the older the jobseeker is. Among the unemployed between ages 60–64, one half were long-term unemployed, among the 55–59-year-olds nearly one third. Long-term unemployment is more common among men than women in nearly all age groups.

Unemployment means more than just reduced income; employment is a channel that often provides one with other resources and social relations as well. For example, occupational health care is free for the employed, whereas those relying on public health services often have to pay a user fee.

*“You feel like you’re just a pawn being pushed around. Not a person. Nobody asks me what unemployment feels like to me.”*

### **Poverty among pensioners is most prevalent among single-person households and women over 75**

The rate of low income earners among pensioners has grown in the last couple of years. It has affected people living alone and people between the ages 65–74 in particular; around one in ten among this age group were at risk of poverty in 2018, a somewhat lower percentage than in the population on average. On the other hand, among over-75s, the at-risk-of-poverty rate was over 21%. Low-income pensioners are typically very close to the low-income threshold, with an income over 50% but less than 60% of the median.

Women tend to have a more fragmented employment history and lower wages than men, which also means lower pensions. Low-income levels are more common among aged women than men: in 2017, 27% of women over 75 were in the low-income class, while just 13% of men were.

A factor that needs to be considered when assessing the income of pensioners is their increased need for services. As functioning declines with age, coping is vitally affected by the availability and pricing of services. Many pensioners struggle with problems caused by expenses due to illness.

*“Many times I have to count my money, whether it’s enough for my medication and other everyday expenses. Having to live on a small pension makes you worried and nervous.”*

### **Women have to make do with an income one-fifth of that of men’s**

From a poverty perspective, gender income disparity is a significant factor: it plays a role in the lives of female pensioners or single-parent households, and most single parents are still women.

When considering wages as well as other income and taxation, net earnings among women are higher than that of men in the 19–20 age group, which is probably due in part to military/alternative civil service. Yet, at the age of 30, women’s earnings have dropped to only 80% of that of the men. The gap is even greater among 63-year-olds and peaks around age 70. It is not until the oldest age groups that women regain the level of earnings, being at best 85% of the earnings among men. This is most likely due to women’s longer life expectancy and widow’s pension. Income from assets continues to boost men’s earnings even in retirement.

The difference in gross income between men and women is greatest in middle age, with men earning around 15,000 euros more per year. The difference remains over 10,000 in men’s favour until the age of 75. Asset income accounts for about a third of the income disparity. The gap is narrowed to some extent by social benefits and taxes, but women nevertheless have to make do with, on average, a one-fifth smaller income than men.

Economic policy has favoured men, and gender equality has further been weakened by freezes and index cuts in social benefits. Changes made by the previous government in taxation and social allowances in 2016–2018 have affected women more significantly than men. The disposable income of women has decreased more often and in greater amounts than men’s. The greatest drawbacks of the reforms and the greatest losers have been in the lowest income levels.

### **People living alone are more often at risk of poverty than others**

There are over a million single-person households in Finland. Nearly 30% of them are in the low-income bracket. The risk of poverty is less prevalent than average in households with two adults. Among women who live alone, 4.7% suffered serious material deprivation; the figure among men was 4.9%. The majority of households receiving income allowance, around 70%, are single-person households.

The greater occurrence of problems in livelihood among people living alone is in part explained by the fact that the group includes a greater share of unemployed, students and others not working due to disability or other reasons.

Working people living alone also have greater difficulty making ends meet than working people who do not live alone. Among working people in the 20–64 age group who live alone, 22% had moderate or severe difficulties making ends meet; the corresponding figure among those not living alone was 11%.

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

More than half of the working-age population in Finland, about 1.9 million people, have some long-term illness or disability. Among this very heterogenic group, 600,000 feel that the illness or disability affects their work or their prospects of finding work.

In 2017, people whose functioning ability is somewhat or seriously diminished had higher AROPE than others: 22.5%, among fully abled 13.4%. Among the former, 4.9% were affected by serious material deprivation; among the latter, 1.8%. Much of the former group's income came from social benefits.

The number of recipients of sickness allowance grew to 304,000 people in 2019, nearly 10,000 more than in 2018. Sickness allowance periods due to mental health issues in particular have increased the past few years in all age groups but particularly among young people and women in early middle age.

In the 18–34 age group, social assistance recipients had more health problems than others in the cohort. The difference is explained particularly by the prevalence of mental health issues and substance abuse among social assistance recipients. The longer a young adult has received assistance, the more often they have used specialised health care services, bought prescription medicines or suffered from mental health problems.

It is difficult for people with a weakened level of functioning to find employment in Finland. If a person cannot find employment because of their disability or illness, they will spend their entire life dependent on guarantee pension, housing allowance and possibly social assistance. This is a recipe for a life-long journey in poverty.

A study conducted by Finnish Disability Forum reveals that poverty among the disabled can be four or five times more common than average. About one third of the respondents in the study reported difficulties, attributable to poverty, in securing health care, necessary pharmaceuticals and medical supplies; in the upkeep of personal and family relations; and in mobility outside the home. Nearly one fifth of the respondents run the risk of being unable to exercise their rights, such as filing complaints.

A study, conducted in 2018 by four NGOs among people suffering from long-term illnesses, shows that over one third of respondents felt that their illness is a major financial burden. This problem does not affect only people in the lowest income groups, because a relatively large number of respondents in the middle-income group also felt that illness has a considerable impact on their finances.

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

services they need. User fees for social and health care services have been raised significantly on several occasions. This has been accompanied by increases in out-of-pocket expenses for pharmaceuticals and health care travel.

According to surveys conducted by various organisations, the greatest single financial burden is the cost of pharmaceuticals. Some low-income people on medication resort to bank or payday loans, which only worsen their economic situation. Many patients have had to ask for an alternative cheaper medication, to postpone the purchase of medicine or to save on other necessary expenses, such as food. One respondent in ten has foregone buying medication recommended by a doctor because of the price.

The same results were shown in another study: one person in five have had to save on medicine purchased or visits to the doctor because of financial reasons. Problems tend to accumulate for people who are frequently ill but have a small income. According to a study on health, wellbeing and service use among adults by the Finnish Institute for Health and Welfare (THL), the number of people saving money by not buying pharmaceuticals has increased in recent years.

*“We have fallen below the poverty threshold because of long-term illnesses in the family, both a child and a parent. We used to be well off. Before these illnesses I never knew that you could be left so alone and live in poverty because of health problems.”*

### **Being a carer can have a negative effect on your livelihood**

It is estimated that there are around 350,000 informal care situations in Finland. Of these, 60,000 are demanding situations that require extensive commitment. There were 48,700 informal care agreements in 2019, and some 70% of the caregivers are women. Informal care is often thought of applying to the elderly, but in reality many of the care recipients are children or working-age adults. Care agreements covered 8,900 minors (under 18) in 2019; the figure for 2015 was around 6,700. A typical carer is a pensioner, but there are also carers who are employed.

An informal care situation can develop slowly due to gradual decline, or it can arise suddenly because of an illness, for example. A change in circumstances can exceed a family's financial resources and also exclude the carer from active working life. Families already facing a weak financial situation are particularly vulnerable. Studies conducted in the Nordic countries show that people in the at-risk-of-poverty group become carers more often than average.

The economic risks caused by the care situation can arise from many factors: earnings can decrease, which in turn reduces the amount of income-related benefits; caring at home also involves extra expenses, such as materials or equipment and alterations to the home. A demanding situation that requires commitment can also increase the caregiver's need for services. The cost of care often consists of social and health services needed by the care recipient.

Becoming a carer while still at work can affect one's career development and accrued pension. The calculated losses in pension can be up to nearly a thousand euros per month.

Support for informal care consists of services and an allowance for the recipient of care and support services for the carer. Its provision is dependent on public sector budget, not a subjective right. Informal care support puts people in an unequal position, even if their circumstances are similar. Factors affecting this include place of residence and the availability of local government funding for informal care. Often, the allowance is not enough to cover the costs of care or lost income if the carer must reduce the amount of work he/she performs.

Carers belong to the group under the thresholds of over-indebtedness and poverty. Working-age people who receive support for informal care have recourse to social assistance more often than others in the same age group. For instance, among carers under 28 years of age, 21% had to resort to social assistance, 11% of them on a continuous basis. This applies especially to carers of children, single parents and/or if there is unemployment in the family.

If a carer becomes unemployed, it is difficult for them to get unemployment benefit, since they are often regarded as being self-employed. Pensioners with a small income and who are carers are at risk of over-indebtedness. The care allowance is small, and it is perceived as unfair that the allowance is taxable income. The position of carers is also weakened by the fact that the allowance is often reckoned as income when other forms of support are applied for, such as social assistance, labour market subsidy or sickness allowance.

In a survey among home caregivers conducted by the Social Insurance Institution of Finland, 9% of respondents reported that they could not make ends meet with their income and were forced to cut back on all consumption. Two out of three had to cut back on expenses at least to some extent. The majority of carers of children, 84%, reported that the care allowance was crucial for them financially and that it was often used to cover basic necessities such as medicine and food.

*“The situation of a working-age carer is often a financial disaster. After your child’s accident, you have to sell your house, car and all other assets, yet you don’t get proper help from society. I used to have a steady job with a good salary, and now I’m looking at becoming homeless.”*

### **Poverty is more common among people from immigrant backgrounds**

“People from immigrant backgrounds” is a term used to denote those whose parents (or only known parent) were born abroad. This means that some people who were born in Finland fall into this category. A person of Finnish background is someone whose parents were born in Finland.

At the end of 2019, there were about 423,500 people from immigrant backgrounds in Finland, half of whom reside in the greater Helsinki area. Among under-school-age children, 11% come from an immigrant background. The parents of the majority of them were originally from Russia; second is Estonia and third is Iraq.

It is difficult to say anything general about people from immigrant backgrounds, because they are such a heterogeneous group. It can nevertheless be stated that their education and employment is hampered by racism and discrimination.

The children of immigrants have a lower level of education than children of the majority population. This is not due to lack of ambition but due to the fact that young people whose appearance clearly differs from that of majority population are targeted by various forms of racism and discrimination. This in turn affects their perceived prospects for the future.

The employment rate among persons from immigrant background varies according to the method of calculation, but it is safe to say that they find it more difficult to find employment than their counterparts and that they are at risk of being exploited as underpaid labour, for example.

Undocumented migrants are people who live in Finland without legal right of residence and official approval. They are not entitled to social security in case of sickness or medical treatment, nor do they have comprehensive access to public social and health services.

Finland’s tightening of alien legislation and its interpretation have effectively contributed to the increasing number of undocumented persons. Their number is estimated to be between 3,000 and

10,000. The denial of access to services and society in general does not remove the problem, but it does force aliens to rely on legal as well as illegal networks. The situation is particularly hopeless for those who remain in Finland under an undocumented status for many years.

### **Homelessness has decreased**

Homelessness is decreasing in Finland. At the end of 2019, there were 4,600 homeless persons living alone, a drop of 280 from 2018. The number of homeless couples and families was 264 in 2019. Homeless families had a total of 275 children.

The number of homeless people under 25, as well as the number of long-term homeless, dropped below one thousand. A person is regarded as long-term homeless if their homelessness has continued for more than 12 months or if they have had repeated periods of homelessness in the past three years. The duration is a secondary matter, however, because long-term homelessness also applies to persons who have a social or health problem that makes it substantially difficult for them to maintain a residence. Such factors include indebtedness, mental health problems and substance abuse.

Homeless people are found in nearly a hundred municipalities in Finland but mostly in big cities. Helsinki has 36% of all homeless people and the greater Helsinki area 52%.

Whereas homelessness in Finland is on the decrease, the share of women among the homeless has grown from 17% to 26% since 2000. There were 1,190 homeless women in Finland in 2019, 50 less than in 2018. In 2019, the number of homeless people from immigrant backgrounds was 1,100, a drop of 60 persons from the previous year. The actual figures are probably somewhat higher.

## **5. The causes of poverty**

*“For me, it’s unemployment and divorce and constant debt recovery. High cost of housing, high energy and real estate taxes, constant hikes in the cost of electricity transmission, unemployment. Most people have such a small salary you can’t get by with it. Basic social assistance is hundreds of euros too small.”*

### **Unemployment**

Unemployment is the most common factor contributing to poverty. It leads to reduced income, and with prolonged unemployment the risk of poverty grows significantly. The situation of the unemployed is discussed at more length on page X.

### **Basic social security is not enough**

Finland has received several complaints from the European Committee of Social Rights regarding the insufficient level of basic social benefits. For instance, in its decision dated 5 May 2017, the committee observed that the level of the labour market subsidy in Finland is too low. Yet cuts were made in basic social benefits between 2015 and 2019. At the same time, the number of people relying exclusively on basic social benefits has increased in the long term. For more details, see page X.

According to a report assessing the sufficiency of basic social security, the income of unemployed persons, recipients of child home care allowance, or of the minimum amount of sickness allowance or parental allowance, is insufficient to guarantee minimum consumption. Students can attain the

minimum standard of consumption only if they supplement their social security income with student loans. The only group whose income is enough for the calculated minimum consumption are recipients of the guarantee pension.

The level of basic income benefit for the unemployed has weakened, mainly because of index cuts and reductions in benefits due to the so-called “activation model”. Whereas in the beginning of the term of the previous Government, when basic social benefits for an unemployed person covered 74% of adequate minimum consumption, the figure fell to 62% in 2019 – or 58% when cuts to the activation model are accounted for. The importance of social assistance as a necessary supplement to unemployment benefit grew significantly in 2015–2019.

The new Government made small raises to basic social security in 2020 and discontinued the requirements of the activation model. The raises are not enough to offset all previous reductions, however. For example, basic social benefits for the unemployed remain at a lower level than they would be, had the earlier cuts and benefit freezes not been put into effect.

The inadequate level of basic social security is also a key reason for the economic difficulties of families with children. Because a large part of the disposable income of poor families comes from income transfers, cuts in family benefits and benefit freezing effected since 2015 have had a direct bearing on families’ livelihood.

Insufficient basic social security leads to prolonged reliance on social assistance and food banks, as well as to other consequences.

*“I live on my occupational disability pension and guaranteed pension. I also get housing allowance. The level of basic social security today is too low. I can't get by without help from my parents. All my money goes to rent and medicine. I'm so worried about my life that I never know about the future – what will I do when my parents die and can no longer help me? I'm nearly 40 and totally dependent on my parents. My future is hopeless.”*

### **High living expenses, payment defaults and debt**

The high price of housing is a key reason for difficulties in making ends meet. The housing costs of low-income households have grown faster than prices in general, while the level of the housing allowance is lagging behind. Housing allowance has been cut in recent years, and the maximum allowed housing cost has been linked to the consumer price index instead of the rent index. This has the long-term effect of significantly lowering the level of the allowance.

Example calculations made by SOSTE show that the share of rent covered by the housing allowance dropped from 80% to 65% between 2012 and 2018. With the general level of rents increasing on, average, 2–3% per year, the increase in housing costs and reduction of the housing allowance make the situation of low-income households considerably more difficult. Finding a less-expensive home is difficult, especially in growth centres where there is not enough affordable housing.

Relative to the level of wages, housing expenses in cities in particular are high, weakening the economic situation of families with children and working parents. The high cost of housing is also a serious problem for people living alone, because their per capita housing costs are obviously higher than in other types of households.

Some people have difficulty satisfying their basic needs because of high energy costs. Many people are struggling to pay their energy bills, and some live in cold apartments to save on electricity bills. According to a 2015 estimate by the Ministry of the Environment, there are 60,000–100,000

households in owner-occupied housing who are at risk of energy poverty. The number of people living in energy poverty is estimated to be 2% of the population.

According to the FinSote survey, the share of Finns who say they have had to forgo food, medicine or medical care because of lack of funds was 20.3% in 2018. Somewhat over 11% said they have at some point been afraid of running out of food before getting money to buy more.

The number of recipients of food aid and help requests received by NGOs and parishes are important signals of the overall situation as regards poverty. The number of people in food lines and requests for assistance received by church welfare services have been growing, and the trend has only increased due to the COVID-19 pandemic.

An alarming feature is the growing number of consumer payment defaults: at the end of 2019, 386,700 people registered a payment default, and at the end of June 2020, the figure had climbed to 390,000 or over 8% of the adult population.

According to the National Administrative Office for Enforcement, a total of 456,568 user fees for public social- and health services were collected by enforcement in 2019. The figure has been growing every year.

## **6. Impacts of the coronavirus pandemic on poverty and inequality**

The coronavirus pandemic poses the greatest impact on those who are already in a vulnerable position, such as people in a weak labour market situation, in temporary and atypical employment, or who belong to minorities, such as disabled people and people from immigrant backgrounds, as well as people in drug and mental health rehabilitation.

The pandemic has affected different age groups in different ways. Those most affected are older people, many of whom have been isolated, and many young people, whose unemployment rate has grown rapidly and whose future prospects are under threat. Some recent graduates may have a more fragmented career and smaller pay compared to past and future graduates.

### **Unemployment and the need for financial support have both grown**

Because of the layoffs, increased unemployment and economic downturn caused by the pandemic, many people have lost their livelihoods either partially or wholly. The need for financial aid, food assistance in particular, has grown.

The scope of social security recipients has widened due to the pandemic. According to the Social Insurance Institution of Finland, the number of basic social assistance recipients had fallen by 3% from the previous year, 2019, but the pandemic reversed the trend.

The number of unemployed jobseekers in July 2020 was 387,500, an increase of 118,500 from 2019. Among them, 52% were men. Unemployment increased in all sectors and age groups; proportionally, most were in the 35–44 and 25–29 age groups and among the over-64s.

The re-employment of laid-off workers can be difficult. The careers of those who have undergone a severe COVID-19 infection may suffer.

*“You can’t ‘prepare’ for the pandemic when you can’t afford to stockpile food or hand sanitiser.”*

*“The worst thing is that, being disabled and in a risk group, I can no longer get food assistance, not even what little there was before COVID-19. And then there are the food allergies. But I can’t go out to stand in line for them, and no one will bring them to my door either.”*

### **Women are hit worse by the pandemic than men**

With the onset of the pandemic, the gender gap for social risk has widened: the service and care professions, where workers are predominantly women and distance work is not an option, have felt the health risks and economic hardship more than others. Livelihood in the service sector has been dealt a blow by coronavirus restrictions and a sharp decline in the number of customers. Women also tend to shoulder responsibility for caring for loved ones more often than men; for example, the majority of single-parents are women.

### **Vulnerable families with children are suffering**

The effects of the pandemic are felt most by families with children who were already in a vulnerable position before COVID-19. The shift to distance education, as well as daycare centre closures, have significantly increased the food expenses of families because of forfeited free school lunch.

The number of families in financial difficulties caused by temporary or permanent layoffs or a notable decline in independent and private business is increasing, and financial problems are becoming more common in families whose income was previously sufficient.

Distance education from home may have taxed the strength of parents, single parents in particular. Children of parents who are substance users, who suffer from mental health problems or are violent are particularly vulnerable, as their social contact is limited to the family due to distance education, a temporary break in hobbies and other reasons. Contact with grandparents has also dwindled or changed form due to the pandemic.

The trend towards increasing inequality has been strengthened by the pandemic because of the breaks in services needed by the family and children’s learning it has occasioned. Single-provider households have been hit hardest by the deteriorating financial and employment situation.

*“Children eat a lot more because they’re not at school. The school meals that are finally being handed out are, well... they’re pretty small.”*

Domestic violence has also increased. The number of reported cases of violence against spouses or children grew in spring 2020.

### **Some people remain beyond the reach of digital services**

People experiencing poverty do not necessarily have digital devices or internet access. As services have increasingly been moved online and phone lines clogged by a flood of applicants, poor people find it increasingly difficult to manage their affairs or apply for benefits, for example. Because of the large number of submissions, the time for processing applications has grown. If you do not have any money put away for a rainy day, delays can play havoc with making ends meet.

*“The level of social security benefits should be lifted. It should be ensured that everyone can afford the equipment and broadband/Wi-Fi to use digital services.”*

It can be difficult to find information about changing services, especially if you don't have internet access.

*"It's difficult to find assistance organisations. There are so many of them, also new ones."*

### **The situation of homeless and undocumented people has deteriorated**

The pandemic has exacerbated the situation of homeless and undocumented people, as places that normally offer shelter, such as libraries, day centres and dormitories, have been closed or are at capacity. The danger of infection has also made it more difficult to stay with acquaintances for even a short while.

### **Problems with substance abuse and mental health are worsening**

Child welfare services, as well as mental health and substance abuse services, have been strained by the pandemic. Social services and rehabilitation for substance abusers have seen a decline in the number of customers. The need for case management and treatment may increase during the pandemic due to unemployment and distance work.

Isolation and insecurity can test mental health, especially among persons who have had previous mental health problems. Face-to-face services, such as peer support and therapy, have moved online, which is not a solution that works for everyone.

Older people may have suffered from deteriorating physical and mental health because of isolation. The cessation of normal activities can lead to loneliness and anxiety, and the sense that life still has meaning may be lost. People living in care facilities have been prevented from seeing their friends and relatives.

### **The pandemic placed new focus on overcrowding in housing**

The COVID-19 pandemic has placed increased attention on overcrowded housing. In order to prevent infection, nearly 60% of the workforce moved to distance working and students to distance learning. Finding the necessary peace for work and study at home can be challenging, especially in families with children and households of people from immigrant backgrounds living in the metropolitan area. Cramped living conditions also make it more difficult to prevent the spread of the virus among family members.

A dwelling is defined as overcrowded if there is more than one person per room (kitchen is discounted as a room). With this definition, 17% of the population lives in overcrowded conditions. Statistics show that just under one third of all households with children lived in overcrowded dwellings in 2018. Among people from immigrant backgrounds, 40% lived in overcrowded dwellings; the figure for the majority population was 15%.

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

Finland is unable to fulfil its commitment to reducing the number of people at risk of poverty or social exclusion by 150,000 by 2020 as part of the Europe 2020 strategy. Ten years remain for Finland to reduce poverty by one half by the year 2030, as per the country's commitment regarding national implementation of the UN Goals of Sustainable Development and of the Agenda 2030 action plan.

Benefits were reduced during PM Sipilä's term, especially affecting the unemployed, families with children, and students. Cuts made to all levels of education are also a cause for concern, because such cuts narrowed the opportunities of less-advantaged people to educate themselves to their full potential.

The present Government made small raises to basic security in early 2020 and discontinued the requirements of the activation model. These increases do not offset all previous reductions, however. The Government has promised to guarantee one hobby for every child and young person and to reduce the waiting time for basic health care. It has also promised to amend the Act on User Fees in Social and Health Care so as to extend the scope of free services, and adjust the level of fees for fairness.

The Government intends to extend the age limit of compulsory education to 18, which will effectively also extend the scope of free secondary education. The Government bill to that effect also includes the suggestion that free secondary education be available up to age 21. The amended act is scheduled to enter into force in 2021; it is expected to mitigate the risk of poverty and exclusion, since education has been shown to have an effect of protecting from poverty.

The programme includes many fine resolutions and plans, but their implementation and the resources allocated for implementation ultimately determine how well they will be carried out in practice. The COVID-19 pandemic has radically altered the employment and economic situation towards the worse.

The negative impacts of the pandemic have been addressed in many ways:

The Government has provided support for businesses and has extended unemployment benefits to entrepreneurs. A COVID-19 raise in social assistance is expected. Treatment for COVID-19 is free for all. Students continue to receive their study allowance even if their progress does not satisfy normal criteria because of the pandemic. Parents who stay at home to look after the children, and people in quarantine, are compensated financially. Municipalities have distributed free masks to people with low income. A maximum limit to consumer credit interest has been in place since the beginning of July to prevent exploitation of people who are in financial difficulties due to the pandemic.

*"I contacted the employment agency to get unemployment benefits. While waiting for compensation, I get food aid and I agreed with my landlord to pay the rent as soon as I get the benefits. - - Normally when losing a job an employee has a two-week deductible period. Now there is no such kind of quarantine period, and the benefits will be paid immediately. The government has also added officers to the employment agency to reduce congestion."*

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

The Pillar of Social Rights signed by the European Parliament, the Council and the European Commission aims to strengthen the rules of social protection and to guarantee stronger rights for everyone. The Pillar comprises 20 principles that apply to issues such as equal opportunities, fair working conditions and social protection. The section on social protection defines rights, including minimum income, health care, social housing and access to essential services.

Regarding minimum income, the Pillar states that "everyone lacking sufficient resources has the right to adequate minimum income benefits, ensuring a life of dignity at all stages of life". The key benefit ensuring minimum security in Finland is last-resort social assistance, the level of which has in several contexts been observed to be insufficient. As regards minimum income, we may say that Finland does not comply with the Pillar of Social Rights in Europe.

The European Commission has opened up a public consultation until late 2020, during which time organisations and citizens can submit their views on what should be done to turn the principles enshrined in the Pillar of Social Rights into concrete action. Based on the responses, in 2021 the Commission will publish a plan for the implementation of all principles in the pillar.

The Commission coordinates common actions of the EU for the prevention of the COVID-19 pandemic and seeks to strengthen the health care sector of the community and to mitigate the socioeconomic impacts of the pandemic in the EU. Among other things, it proposes allocating existing Structural Funds towards fighting the pandemic. It also grants support to agricultural producers and fishermen and to those facing the greatest deprivation.

## **8. EAPN-Fin recommendations for poverty mitigation**

### **Action plan for the reduction of poverty and exclusion, with a special focus on mitigating the impacts of the pandemic on the most vulnerable groups**

Finland needs a comprehensive strategy and action plan for the reduction of poverty and inequality, one that addresses the problem of mitigating the effects of COVID-19 for the underprivileged. Poverty reduction calls for a purposeful social policy that improves the general employment situation and reduces long-term unemployment, raises the level of basic security, increases the supply of affordable rental housing, provides social and health services that take into account the most vulnerable groups, and ensures equal opportunities to education. As it is difficult to predict the consequences of the pandemic for people in poverty and others who are in a vulnerable position, their situation needs to be monitored as a priority.

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

Social security must be reformed so as to guarantee basic subsistence for all. This is defined by the concept of “minimum budget”. It serves to prevent problems from accumulating and becoming more serious and chronic. Access to basic social security must be made simpler and more flexible so that it will better respond to the changing labour environment, reduce bureaucracy, enhance possibilities to find employment and enable the employment of people with only partial ability to work.

### **Reform of social and health services is needed to narrow differences in health and wellbeing**

Social and health services must be reformed to ensure the provision of high-quality treatment of all, regardless of income level. Well-functioning social and health services support life management and maintenance of work ability, and improve the individual’s possibilities of finding employment. Services for special underprivileged groups must be safeguarded, basic services must be strengthened and investments should be made in wellness and health promotion. The development of mental health and substance abuse services must be prioritised. COVID-19 has put great stress on the mental health of the population, and services in this area were insufficient even before the pandemic.

### **Families with children need adequate income and services**

It is vital in the present situation to invest in the welfare, basic services and benefits of children and young people in order to avert the threat of aggravated poverty among families with children and the trend towards inequality.

The poverty of families with children can be alleviated by adjusting the level of basic social security and family benefits, by keeping user fees at a reasonable level, by lowering housing costs and by supporting parents’ opportunities for education and employment.

The consequences of poverty can be mitigated by, among other things, reinforcing the quality of basic education and the resources of student welfare services on all levels of education. Impacts of poverty can also be mitigated by ensuring that all children have opportunities for sports and hobbies and by ensuring access to services for families with children. One possibility for low-threshold support is to strengthen in-home services such as home-care help for families with children.

### **Customer-oriented services for the unemployed and larger appropriations for employment services**

We need to provide equal employment services for all. These services must also be client -friendly. Investment in active employment policy is needed, as are significant increases in employment appropriations. The state must ensure the availability of sufficient funds for the promotion of employment. The role of NGOs as producers of employment-promoting services and as providers of employment must be safeguarded, because they support those with the greatest difficulties in finding work and help them get on the path to employment.

Access to education in all stages of life should be facilitated by extending opportunities for the unemployed to train themselves while receiving unemployment benefits.

### **People with disabilities and long-term illnesses should have access to the world of work**

The Finnish service system has tended to grant people with disabilities a pension instead of looking at opportunities to find them work, paid employment in particular. We need to ensure that people with disabilities and long-term illnesses are provided equal opportunity to choose a profession, gain employment and participate in society, regardless of their limitations.

### **The cost of illness to the patient needs to be reduced**

The cost of being ill must not undermine access to care. Reimbursement of medicine needs to be sufficient and client fees for services reasonable. Some social and health services must be entirely free of costs. Municipalities must implement the Act on Client Fees to set the fees at a reasonable level or leave them uncollected should they undermine the client's ability to cope financially. Clients and staff alike need to be actively informed of this possibility.

The upper limits for services, travel and medical expenses must be combined into one unit in order to not exceed the amount of the guarantee pension. The separate maximum limits would nevertheless remain and would continue to be monitored. The system of maximum payments must be developed to ensure that people will automatically receive the benefits they are entitled to. The attainment of the maximum limit is currently monitored for each calendar year, which places a heavy burden on the early days of the year; this load must be lightened.

### **The economic situation of carers must be improved**

The economic situation of carers needs to be levelled, with special attention placed on working-age carers. Municipally operated systems tend to be nonegalitarian and must be dismantled.

### **More support for affordable rental housing is needed**

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

### **More economic and debt counselling must be provided, along with social lending.**