

TOWARDS A SOCIAL PROTECTION REFORM: CREATING OPPORTUNITIES

Social protection reform – SATA



Social protection reform

The Government of Finland has undertaken to reform the social protection system. The aim of the reform is to make accepting job offers always profitable, to reduce poverty and to ensure an adequate basic income in all life situations. A further aim is to make the entire system of social protection simpler and clearer.

The reform is being prepared by the so called SATA Committee consisting of representatives of the relevant administrative sectors, and of the labour market organisations and the third sector. The work of the committee is supported by four sub-committees.

According to the Constitution of Finland

- all those who cannot obtain the means necessary for a life of dignity have the right to receive indispensable subsistence and care;
- everyone shall be guaranteed the right to basic income security in the event of unemployment, illness or disability and during old age as well as at the birth of a child or the loss of a family provider;
- the public authorities shall guarantee adequate social and health services and promote the health of the population;
- the public authorities shall support families and others responsible for taking care of children so as to enable them to ensure the well-being and personal development of the children;
- the public authorities shall promote the right of everyone to housing and the opportunity to arrange their own housing.





Ageing of the population increases the expenditure on social protection

In order to maintain the present level of social protection new requirements have to be defined for social policy and social protection. Ageing increases the expenditure on social protection simultaneously as the shrinking population will slow down the growth of national income. For the first time in the history of a welfare state the number of working-age population is beginning to decline. A similar development is foreseeable in other countries as well, but the change in Finland will be particularly drastic.

Globalisation – a possibility and a challenge

Only a part of the effects of globalisation can be seen so far. Finland's opportunities to offer a competitive framework for production depend increasingly on the skills of the labour force and its power of regeneration. The aim of social protection is to contribute to a growth in the employment rate and support swift access to employment. The diversification of the labour market and rapid changes in production pose new requirements for social protection.



In the future it will be increasingly important that employees born and educated in Finland use their skills and knowledge for the benefit of our society. It is also important that Finland succeeds in attracting skilled employees from abroad.

Maintaining international competitiveness requires increased efficiency from actors on the domestic market too. Efficiency of the public sector also affects the conditions for competitiveness. The aim at greater effectiveness has already increased competitive tendering, outsourcing and reorganisation of production. It has also led to diversification of the operations of the public sector.

Towards a social protection reform: creating opportunities

Finnish social protection is an integral part of society and has many functions in the everyday lives of people. The basic principle is that everyone should bear responsibility for themselves and their significant others. The social protection system must however provide adequate income security so as to prevent poverty and social exclusion, as well as means to enhance social inclusion. The aim is to support individuals' life skills, open new opportunities for them, and provide means to improve their functional capacity.

Old age, illness or disability may cause reduced functional capacity on a long-term or permanent basis. The purpose of social protection is to reduce the disadvantages they involve so that people can retain their capacity for work and independent living as long as possible.

Instead of merely ensuring subsistence we are moving towards an active social protection that will create opportunities – encourage seeking work, staying on at work and returning to work. This requires, among others, more efficient employment services and education, training and rehabilitation provision.

A hundred social security benefits created over decades

The legislation on social protection consists of tens of statutes, and the number of benefit titles is almost one hundred. The benefits differ from each other since the provisions on them have been enacted in the course of years and have been amended at different times. Therefore the present social protection is not fair, comprehensive or incentive in all respects.

Nor has the impact of the cuts made in the 1990s and later improvements been examined thoroughly. The legislation should now be looked at as a whole in order to get a reliable idea of how it should be developed.



What kind of social protection is our objective

- Incentive and fair social protection for all
- Reduction of poverty is an important objective
- Adequate basic security in different life situations
- Accepting work should always be profitable and easy without unnecessary bureaucracy being involved
- The level of basic security should be such that there is no need for social assistance on a permanent and continuous basis
- Towards longer working careers
- A clearer and simpler system
- Financial sustainability of the social protection system should be ensured



How the reform is carried out

The reform will be implemented gradually. The intention is to introduce the first law proposals to Parliament during the autumn session 2008. The proposal for a social protection system of a new type will be completed by the end of 2009, but the basic principles of the overall reform should already be in place by the end of 2008.

Social protection reform

1. **Government Programme**
2. **The so called SATA Committee preparing the reform set up in June 2007**
3. **The first law proposals to Parliament in autumn 2008**
4. **Basic principles of the total reform of social protection by the end of 2008**
5. **Specified principles of the reform with estimated financial and employment implications by the end of February 2009**
6. **Proposals for amendments that come into force at the beginning of 2010 will be submitted by the end of April 2009**
7. **The Committee's proposal for the total reform will be completed by the end of 2009**

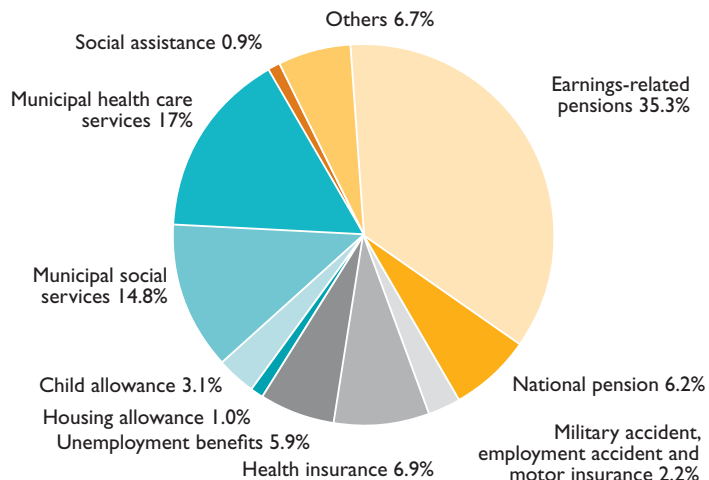
Components of Finnish social protection

Social protection consists of residence-based and employment-based benefits. All people resident in Finland on a permanent basis are entitled to social and health services. Furthermore, we are entitled to pensions, health insurance, and parental and family benefits. Housing is supported, too. The Social Insurance Institution (KELA) administers and pays benefits covered by the social protection system.

Finns in employment are entitled to unemployment benefits and earnings-related pensions. They are also insured against employment accidents and occupational diseases. The national pension guarantees the income for the pensioners who do not receive any other pension.

The last resort type of security is social assistance, the payment of which is the responsibility of the local authorities.

The total expenditure on social protection was EUR 45.3 billion in 2007 (preliminary data)



More information about the social protection reform:

www.stm.fi > english > programmes

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