

Social security reform: Grounds and premises



Summary

The project on social security reform and activity (Toimi) has drawn up shared views on the grounds and premises for social security reform. Providing care for individuals in a vulnerable position and promoting the health and wellbeing of the entire population will continue to be seen as the core task of social and health policy.

Our social security system needs an overhaul. The need for reform is influenced both by features of the present system that have been experienced as ineffective and by possibilities opening up in the future.

Social security in Finland consists of benefits and services. Over the years, their interoperability has deteriorated. Moving away from benefits and towards work or rehabilitation has become more difficult, especially for individuals who need guidance and services as support. It reduces confidence in society and in the management of one's own future. The wish now is to correct this trend that increases the risk of exclusion.

The present social security system is obscure, and it is difficult for people to anticipate their income in situations of change. More coherently and more positively than at present, social security should respond to the demands of changing life situations, forms of employment and the necessary skills and competences. Technological advances open up possibilities to reform the present system, in order to make it smoother and more strongly people-oriented.

Ensuring a sustainable financial base for social security in the context of declining birth rates is important for current and future generations. When reforming social security, the individual's rights and obligations must be in balance, also in relation to general government finances.

Reforming social security requires political decisions on goals and basic choices. The reform work can proceed on the basis of decisions outlining the direction of the future social security and the emphases of the system.

The Toimi project has identified the common key pillars that constitute the prerequisites for implementing the reform, towards which progress will take place over several government terms. Preparations shall be made in parliamentary process and in a broad-based manner.

Toimi project on social security reform and activity

Prime Minister Juha Sipilä's Government appointed the project on overall reform of social security and activity for the period 28 September 2017 to 28 February 2019, the aim of which was to prepare overall reform of basic security that would improve employment and activity and reduce inequality.

The aims specified for the reform were to raise the employment rate, encourage work and entrepreneurship, combat and reduce inequality, respond to transformation of work and the changing family and household structure, and to devise a clearer and simpler system whose implementation makes use, in particular, of digitalisation.

The task of the project was to support political actors and parties preparing for parliamentary elections of 2019 in forming views on reform of basic security and, if necessary, to present proposals for several options or models that could serve as a base for overhaul of the whole of basic security. The preparatory work had to take note of the conditions imposed by general government finances and the need to close the sustainability gap, as well as the challenges posed by aging. An inter-administrative monitoring group and a project team were appointed for the project.¹

On 16 November 2017, the Prime Minister's Office appointed a parliamentary monitoring group comprising representatives of the political parties and central labour market organisations as well as representatives of entrepreneurs and key social and health organisations.² Three investigators were appointed to the project on 1 March 2018.³

Framework for the project's work

Despite the aspirations of society, for various reasons not everyone falls in step with a positive trend in the prerequisites of life. New ways of working and the reconfiguration of work challenge

¹ Information on the project through the project window <https://vnk.fi/hanke?tunnus=Vnk014:00/2017>

² Appointment of a parliamentary monitoring group for the period 16 November 2017–28 February 2019 <https://valtioneuvosto.fi/paatokset/paatokset?decisionId=0900908f8056f9da>

³ Decision on the appointment of investigators https://api.hankeikkuna.fi/asiakirjat/bdf97c63-4b89-4578-9c9a-a85e78bb365d/05f602f8-fd4a-4f87-828f-7340078f482f/ASETTAMISPAATOS_20180313125409.pdf

the social security system to be flexible and encouraging. The long-term overhaul of social security must aim at what people will expect of their wellbeing in the future and what that in turn requires of social security.

At the centre of the reform is an active and enterprising individual. The system should not give a person negative signals concerning activity and being industrious; rather it should increase possibilities and encourage. The obscurity of social security in its present form weakens trust in the system.

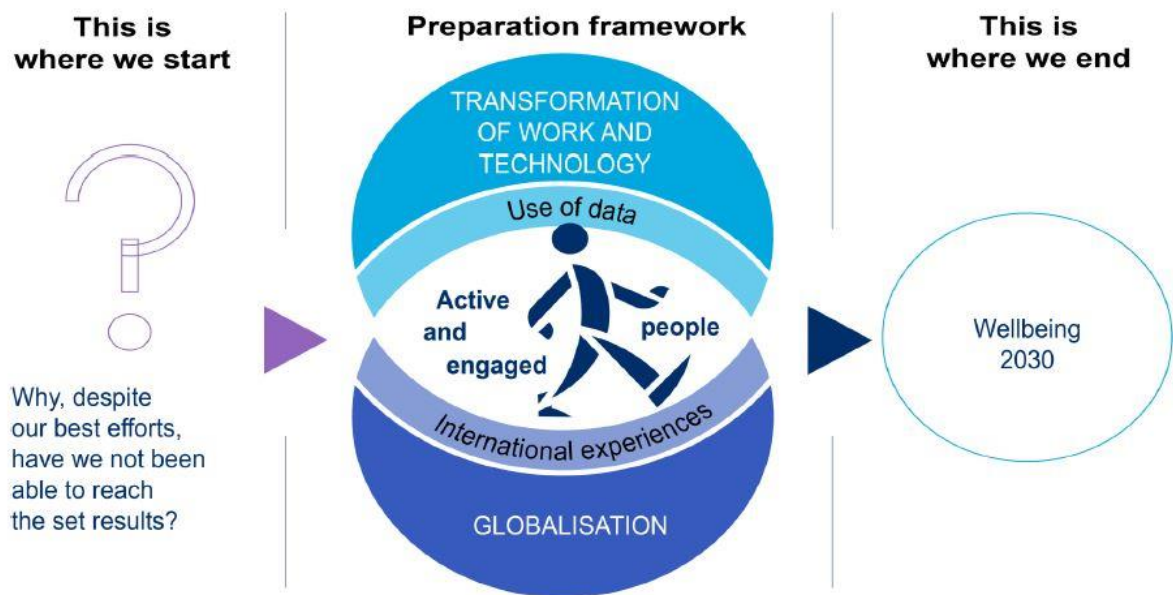


Figure 1. Framework of the Toimi project

A new, creative operating mode

The purpose of the project was to awaken discussion and other means of supporting the formation of views. Attention was focused on the basic choices of social security reform, about which decision makers need to devise policies and solutions as the base for formation of the system.

Assignment of the project task required a new operating mode aiming at implementation of the task over government terms. The policy outlines selected for parliamentary and inter-administrative work were *future perspectives, openness and networking*. Conceptualisation of the reform did not start from individual benefits of the present system, but from the premises of wellbeing in the future. A strong principle of openness was followed during the work. An open website made it possible to follow the formation of the project contents during its various stages. Expert and citizen hearings and opportunities for open participation were organised regionally and online.

As the work progressed, the parliamentary monitoring group crystallised policy outlines on the grounds and premises for social security reform as well as long-term goals to serve as key pillars for social security reform.

Grounds for social security reform

The core of social security is to safeguard subsistence in the face of social risks and secure social fairness. Finland's social security consists of services and benefits that safeguard subsistence. It is essential to maintain the reliability and understandability of the system.

Need for social security reform has many reasons:

- The change in the age structure of the population, sharpened by the falling birth rate, will require an increase in the employment rate to cover the sustainability gap.
- The transformation of work is changing the ways of earning income and successive life situations, which challenges the definitions used in social security and the flexibility of the system.
- Over time, services and benefits have evolved in different stages and separately, and their interoperability must be developed to meet people's needs better.
- By international comparison, a special feature of Finnish social security is considered to be the long periods of time when people in need of support are not encountered nor is their situation addressed.
- Another special feature of the Finnish system is the accentuated role of the subsistence benefit as a long-term supplement to the cause-based primary basic security benefits.
- The social security system is perceived as complex and obscure. Fragmentation is emphasised when sectoral boundaries are crossed.
- Digitalisation enables many new types of solutions.

Key pillars of future social security

The project's broad-based parliamentary monitoring group has outlined the key pillars that constitute the long-term objectives of the social security reform. These guide the reform work over several government terms:

- Social security must respond to the constitutional obligation of providing care.
- Social security must contribute to responding to people's needs for inclusion and meaningful life, and must support employment, activity and lifelong learning.
- Services and benefits included in social security must be interconnected better.
- Social security supports the balance between an individual's rights and obligations in a way that is compatible with general government finances.
- The social security system must be clearer and more readily understandable.

What is required to carry out total reform of social security?

The project's parliamentary, broad-based monitoring group has found some shared views on preparing total reform of social security.

Commitment and perseverance

The long-term goals are the key pillars of the reform; to the greatest extent, they span over several government terms.

Preparation of the reform

- The reform will be implemented in stages. The structural and functional development of the system, at different stages and in different areas, aims at long-term goals.
- A roadmap extending over several government terms will be drawn up for the reform.
- Preparations are carried out in parliamentary process, inter-administratively and expansively, drawing on expertise from various sectors.
- Housing support is linked with housing policy.
- Development of services is an integral aspect of preparation.

Simplified templates for basic social security choices

The Toimi project has considered the basic choices of social security by outlining simplified templates indicative of differing emphases on future trends in social security (Appendix 1). The templates have different emphases with regard to the following: individual-specific; household-specific; conditional; unconditional; reason-based; and universality.

The project neither presents nor recommends particular solutions; instead it brings out choices and policy outlines that will arise in decision making. Three different simplified templates were outlined to be described, while aware of the fact that many other entities could have been formed. The simplified templates illustrate different combinations of basic choices.

Housing support issues are seen as intrinsically related more broadly to housing policy. The descriptions of the templates have highlighted alternatives suitable to the policy outlines.

Social security encompasses a broad entity, and many solutions are required in building the system. The template descriptions mention only a few features by way of examples; not all of the separate benefits or groups of beneficiaries are mentioned. Nor do the templates mention basic rights and international treaties separately, as no change is outlined in relation to them. In line with the project's policy outline, the templates do not take a stand on benefit levels nor do they contain proposals for changes to the pension system or taxation system.

The project's purpose is to support the formation of views on social security reform. The project monitoring group discussed the templates at various stages but made no attempt to rank them from best to worst. The templates are not approved by the monitoring group, and members have different views as to their basic choices and usability in further preparation. In line with their purpose, however, the templates enable preliminary assessment of the directions the impacts of different basic choices would have.

Views on the continuation of preparation

The policy outlines for social security reform are part of the Government's decision making, and the Government's key goals steer the emphases and aspirations of the reform.

The grounds for further preparation are the basic choices on the direction of social security made in political decision making: is social security conditional, and if so, to what extent and with regard to what part- Is the starting point household-specific and the family's internal responsibility, or is the emphasis more individual. Are benefits and services based on cause, needs testing or universal rights?

The choices are a prerequisite for overhaul of the system. A roadmap for step-by-step preparation can be worked out when the policy outline on the scope and basic choices of reform has been made. In working out the legislative and systemic changes to be prepared by experts, basic choices and long-term objectives — such as the key pillars outlined by the monitoring group — will clarify preparation of the partial solutions and means brought for decision making.

In line with the shared view of the monitoring group, certain steps can be taken in reforming social security regardless of the stage and content of policy outlines:

Development of services. The importance of services as part of the entity comprising skills and competences, employment and subsistence has been recognised as significant. Timely and effective services together with a system of benefits form a protective entity fostering return to the community.

Utilisation of digitalisation and artificial intelligence. Significant steps towards clarification of the social security system and its understandability can already be taken on the basis of the current system by increasing the utilisation of digitalisation and artificial intelligence. The income register provides new possibilities for this. The benefits can be reinforced among other things by making fragmented definitions more consistent. A sustainable solution is to increase the utilisation of information managed by individuals themselves.

Helsinki, 15 February 2019

Toimi project on social security reform and activity, parliamentary monitoring group, 16 November 2017–28 February 2019:

Paula Lehtomäki, State Secretary, Prime Minister's Office, Chair
 Hannakaisa Heikkinen, Member of Parliament, Centre Party Parliamentary Group, 16 November 2017–17 October 2018
 Katri Kulmuni, Member of Parliament, Centre Party Parliamentary Group 18 October 2018–28 February 2019
 Juhana Vartiainen, Member of Parliament, Parliamentary Group of the National Coalition Party
 Tarja Filatov, Member of Parliament, Social Democratic Parliamentary Group
 Jaana Auvinen, Lecturer, Blue Reform Parliamentary Group
 Riikka Purra, Policy Planner, The Finns Party Parliamentary Group
 Outi Alanko-Kahiluoto, Member of Parliament, Green Parliamentary Group
 Anna Kontula, Member of Parliament, Left Alliance Parliamentary Group
 Veronica Rehn-Kivi, Member of Parliament, Swedish Parliamentary Group
 Asmo Maanselkä, Party Secretary, Christian Democratic Parliamentary Group
 Sinikka Näätäsaari, Head of Social Affairs, SAK – Central Organisation of Finnish Trade Unions
 Katarina Murto, Director, The Finnish Confederation of Professionals STTK
 Pekka Piispanen, Director, Confederation of Unions for Professional and Managerial Staff in Finland – Akava
 Ilkka Oksala, Director, Confederation of Finnish Industries EK
 Jorma Palola, Chief Negotiator, KT Local Government Employers
 Seija Petrow, Director of Collective Agreements, Ministry of Finance/Office for the Government as Employer
 Vuokko Piekkala, Labour Market Director, Church Labour Market Agency KiT 16 November 2017–31 October 2018
 Anna Kaarina Piepponen, Labour Market Director, Church Labour Market Agency KiT 1 November 2018–28 February 2019
 Janne Makkula, Labour Market Director, Federation of Finnish Enterprises
 Marja Tallavaara, Expert, Central Union of Agricultural Producers and Forest Owners (MTK)
 Johanna Sipola, Director, Finland Chamber of Commerce 16 November 2017–12 August 2018
 Mauri Kotamäki, Chief Economist, Finland Chamber of Commerce, 13 August 2018–28 February 2019
 Viveca Hagmark, Executive Director, Folkhälsans Förbund
 Vertti Kiukas, Secretary General, SOSTE Finnish Federation for Social Affairs and Health
 Juha A. Pantzar, Executive Director, Guarantee Foundation
 Anna Munsterhjelm, Secretary General, Finnish Youth Co-Operation Allianssi 16 November 2017–18 April 2018
 Silja Silvasti, Advocacy Specialist, Finnish Youth Co-Operation Allianssi 19 April 2018–28 February 2019
 Ulla Nord, CEO, We Foundation
 Teemu Lehtinen, President and CEO, Taxpayers Association of Finland

Project background and supplementary material

During its work, the project has produced many-sided appendices and background material. The material offers viewpoints on the reform policy outlines jointly identified by the monitoring group, but it also forms independent entities and it has not been considered by the project monitoring group.

In support of preparation of the reform, the project has produced various analyses and descriptions of the present social security system, collected citizens' assessments and made closer reviews of the themes discussed as the work progressed.

With regard to the simplified templates on the basic social security choices, qualitative assessments have been drawn up and an international hearing, regional expert hearings and population-group-specific assessment round tables have been organised. Some very preliminary numerical evaluations have been made in order to support development of templates, to show what conditions should be taken into account. In addition, separate preliminary assessments from the angle of gender equality and basic rights have been heard. Comments on these have been collected in connection with the description of each template and with the entire project material. The generic nature of the templates and the lack of specification of benefit levels do not allow for more detailed impact assessments, which must intrinsically be linked with possible future work.

In connection with the project, a proposal on the substantial utilisation of digitalisation and artificial intelligence in the social security reform has been prepared. Appendix 2, Antti Koivula, Finnish Institute of Occupational Health.

On the basis of the templates, Experimental Finland has prepared a pilot evaluation presenting and evaluating possible experiments to support social security reform. Appendix 3: Experimental Finland.

As part of both the demand for a clearer and more understandable system and the aim of utilising digitalisation, the Social Insurance Institution of Finland (Kela) has prepared a bureaucracy dismantling package that examines short-term and long-term needs and possibilities to reduce bureaucracy, including the potential of the income register and the preconditions for its utilisation. Appendix 4, Kela.

Background and supplementary material: vnk.fi/tulevaisuuden-sosiaaliturva (in Finnish)

Analyses and system descriptions

- System description, the present system (Kela)
- Description of social security funding (visualisation). <C:\vn-data02.vn.root\unit\Action\Endofreporting20kokonaisuus%\%Annexes20and20taustoj a%\Analyzes and järjestelmän kuvauksia\Rahoituskuvat.pptx> Outline Toimi project, background material
- Social security benefits, the present system (visualisation). Outline Toimi project, background material
- Pyykkönen, Jussi 2019. The population and employment 2030
- Research literature to support social security reform. Eerola (ed.) 2019
- Memorandum on alternative solutions to housing allowance. Eerola & Ståhl (eds.) 2019

Investigators' reports

- Ilmola, Leena 2018: What people expect of a good life in 2030
- Saari, Juho 2019: The welfare state in a society becoming unequal

Materials linked with project activities

- Assessment round tables, summary. Toimi project
- Housing as part of welfare — summary of the solution workshop material. Toimi project
- Experiences of bureaucracy. Toimi project, summary of the citizens' questionnaire
- Rest period discussions, summary. Toimi project
- From obstacles to solutions: Services and benefits to work together. Toimi project, background material (Obstacles and Solutions)
- International hearings and feedback. Toimi project
- Expectations of the future social security. Toimi project, summary of the citizens' material

Key presentations

- Trends in earnings security, Mauri Kotamäki
- Housing — what is society's role, Essi Eerola
- Bureaucracy dismantling package — where to start and what to aim for? Miia Helle
- Levels of some social security benefits and conditions for getting them in countries of Europe, Olli Kangas
- Legitimacy of regimes and systems, Olli Kangas
- Great choices for reforming social security, Pasi Moisio
- Contemplating the future of social insurance, Ulla Hämäläinen

- Developing Finland's social security in a global world, Essi Rentola

Social security in future: animation videos

Project appendices with their background materials

- Appendix 1: Simplified templates on the directions of social security
- Appendix 2: Proposal on the substantial utilisation of digitalisation and artificial intelligence in the social security reform Koivula, Antti. 2019
- Appendix 3: Utilisation of experiments in reforming social security. Kanerva, Markus; Experimental Finland 2019
- Appendix 4 Bureaucracy dismantling package. Kela

Other material:

- Kananen et al. 2019. Risk management in the future labour market — threats and possibilities. Publications of the Government's analysis, assessment and research activities
- Vainio et al. 2019. Growth of low-wage work and Finnish social security. Impacts of the change in the light of international experience. Publications of the Government's analysis, assessment and research activities
- Ministry of Finance. Economic Survey, winter 2018. Ministry of Finance publication 33a/2018.
- Government 2017 and 2018 Government Report on the Future, A shared understanding of the transformation of work. <https://vnk.fi/tulevaisuusselonteko>