

Assessment of the gender effects of economic policy in the 2019–2023 parliamentary term

Policy brief

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Prime Minister Sanna Marin’s Government Programme states that “The Government is committed to promoting gender equality, for example in the Budget process and in all key reforms.” (The Finnish Government, 2019, p.77). To support the implementation of the Government Programme entry as well as development measures, the Ministry of Finance commissioned an external report on the gender effects of economic policy in the 2019–2023 parliamentary term. The objective of the report is to increase the understanding of the gender effects of the decisions made and to provide an overall understanding of how gender equality has developed in Finland during the current parliamentary term as a result of economic policy.

The report has two parts:

1. The changes made to social security benefits and taxation during the current parliamentary term are analysed using a microsimulation model.
2. An assessment of gender effects of three key reforms.

This policy brief concisely presents the methods used in the survey, and the key findings. More detailed results can be found in the final report “Assessment of the gender effects of economic policy in the 2019–2023 parliamentary term: Microsimulation analysis and assessment of three key reforms”, which is available in the Institutional Repository for the Government (Valto) at the address <http://urn.fi/URN:ISBN:978-952-367-086-0> (in Finnish).

Microsimulation analysis of the effects of changes made to social security benefits and personal taxation on income and income differences of men and women

This section examines, using a microsimulation model, the direct effects of changes made to social security benefits and personal taxation in the parliamentary term 2019–2023 on the income and income differences of men and women. The assessment is conducted with the SISU model, using a method developed to analyse

the gender effects of policy measures in the previous parliamentary term (Elomäki and Haataja 2018). The SISU model is an application, maintained by Statistics Finland, which contains data on around 800,000 people. It can be used to determine the taxes paid by each person and/or their family and the social security benefits received by them, and to make assessments of the impact on incomes of both existing legislation and various legislative reforms. In the simulation used, the assessment of effects is limited to the direct effects of policy measures. The effects that arise from behavioural changes brought about by legislative changes have not been assessed.

The report compares two scenarios. In one, the key permanent legislative changes made in the parliamentary term have been taken into account; in the other, taxation and levels of social security benefits in 2023 are determined based on the statutes in force in 2019. Assessments of the effects of policy changes in the parliamentary term are obtained by comparing the results of these scenarios. The report sought to cover all of the active decisions made during the parliamentary term, such as general increases to the smallest pensions, the single-parent increment, the indexation of study grants and discounts to fees for early childhood education and care. Decision-based changes to taxation of personal income, such as inflation adjustments to the taxation of earned income and the removal of the deduction for interest expenses of mortgages, were also taken into account.

According to the results of the microsimulation analysis, the changes made to taxation and social security benefits during the current parliamentary term have narrowed income differences between and within genders, but the effect is small. The changes resulted in the annual incomes of women being an average of EUR 412 higher than they would have been without the changes. The corresponding benefit for men was EUR 387. In other words, the changes to benefits and taxation led to women's average annual income increasing by EUR 25 more than that of men. Women have also benefited slightly more than men when the effects of policy changes are examined at different points of the income distribution (Table 1) and according to family type, age group and socioeconomic status.

Table 1. Income level of men and women at decile points of the income distribution in each scenario

Decile	A. Baseline (scenario without policy changes)			B. Change (implemented policy)		
	Men	Women	W/M income ratio %	Men	Women	W/M income ratio %
1	11 453	11 098	96.9	11 690	11 378	97.3
2	15 415	14 473	93.9	15 731	14 849	94.4
3	18 627	16 663	89.5	18 958	17 016	89.8
4	21 886	18 726	85.6	22 289	19 126	85.8
5	25 208	20 939	83.1	25 650	21 372	83.3
6	28 523	23 530	82.5	29 014	23 984	82.7
7	32 269	26 521	82.2	32 754	27 004	82.4
8	37 348	30 173	80.8	37 829	30 709	81.2
9	46 943	36 535	77.8	47 375	37 022	78.1
Average	29 397	23 369	79.5	29 784	23 781	79.8
D9/D1 ratio	4.10	3.29		4.05	3.25	

Assessment of gender effects of three key reforms

This section analyses the gender effects of three key reforms of the 2019–2023 parliamentary term. In cooperation with the implementers and the steering group, the reforms selected to be assessed were the family leave reform, the extension of compulsory education, and the adoption of a Nordic employment service model. Of the key reforms of the current parliamentary term, these were found to be the most interesting for the assessment of gender effects.

The assessment framework is based on the European Institute for Gender Equality EIGE's gender impact assessment process for policy measures (EIGE 2017). It helps to understand the overall impact of policy measures on gender equality and also to take into account different gendered effects. The assessments are mainly based on findings arising from research literature and statistics. In addition, for each reform, validation interviews were conducted with experts in the subject areas in question.

Family leave reform

The purpose of the family leave reform (HE 129/2021 vp.) was to implement a comprehensive reform of the parental allowance system. Family leave reform is included in Prime Minister Sanna Marin's Government Programme, in addition to which it also implements Directive (EU) 2019/1158 of the European Parliament and of the Council on work-life balance for parents and carers. The previous gendered parental leave is replaced by other forms of family leave, non-childbearing parents receive a significant increase in their parental leave quota, and choice and flexibility in taking leave are improved. In connection with the reform, a new carer's leave was also created.

According to the assessment, the family leave reform is likely to reduce differences in taking family leave between childbearing and non-childbearing parents and to slightly even out the division of care responsibilities within families. The reform will likely be indirectly reflected as increased equality in working life, as taking family leave will likely become less gendered. The increased freedom of choice and flexibility in the taking of leave included in the reform will ease the everyday lives of families and may contribute to accelerating the desired gender effects of the family leave reform, but at the same time it should be stated that parental leave with more precise quotas has been shown to have a greater effect on the equal taking of leave.

Extension of compulsory education

In the reform (HE 173/2020 vp), compulsory education was extended to cover, in addition to basic education, upper secondary education until the student reaches 18 years of age or a upper secondary qualification has been completed. The reform entered into force in 2021 and raised the compulsory education age by two years. After completing basic education, young people are obliged to apply for upper secondary education. Municipalities and organisers of education and training also received new guidance and supervision responsibilities. At the same time, the reform made upper secondary education free of charge.

According to the assessment, the extension of compulsory education and the related free upper secondary education will mainly improve gender equality. The reform will even out differences in education between genders, as before the reform the majority of students without upper secondary education were men. At the same time, the reform will also improve the position of women, as a higher proportion of women will also complete an upper secondary qualification in the future. In addition, through enhanced guidance and transition point education, it may be possible to mitigate the

gender segregation of education and the labour market. Achieving these positive effects will require that training and guidance continue to be adequately resourced and that attention is paid to the learning of all groups, assisting children and young people who need additional support, safe study environments, and eradicating gender discrimination and racism in educational institutions and during work-study periods. If these are successful, the reform will improve wellbeing and likely reduce unemployment and marginalisation in the long term, particularly for men.

Adoption of a Nordic employment service model

The Nordic employment service model (HE 167/2021 vp), a form of the employment services process, entered into force in May 2022. The content of employment services did not change; the reform mainly concerned how, where and how often contact is made with the job seeker. The Nordic employment service model includes an initial interview and an intensive service process at the start of job-seeking, and repeatedly at six-month intervals. In addition, the model includes a reform of the job-seeking obligation and the unemployment benefit sanctions that result from neglecting this obligation. The aim of the reform was to support independent job-seeking and provide job seekers with more personalised support and services.

According to the assessment, the effects of the intensive service process and the job-seeking obligation will affect men more, because they are more often unemployed job seekers. On the other hand, research has shown that women benefit more from employment services and suffer less than men from the effects of marginalisation. Due to cross effects, the employment-strengthening impact of the reform will presumably affect women and men in quite the same way. The intensive service process may reduce long-term unemployment as well as the number of unemployment benefit sanctions, which were otherwise eased in the reform. Men will be more affected by these aspects, mainly because the majority of the long-term unemployed and those receiving sanctions are men. There is little literature examining employment services from a gender perspective, however, and there are considerable uncertainties associated with the assessment. So far, only minor indications of the effects are perceptible in the statistics. The reform is recent, however, and the effects will only be seen in the longer term, so monitoring should be continued.

Summary

Economic policy may either consciously or unconsciously promote or weaken the state and development of gender equality. The objective of this project was to increase the understanding of the gender effects of economic policy in the 2019–2023 parliamentary term. Overall, the economic policy of the current parliamentary term has been neutral in terms of gender effects or has promoted gender equality. At the very least, it can be said that economic policy measures have not undermined gender equality in the current parliamentary term.

According to the microsimulation model, tax and benefit changes have narrowed the income gap between women and men, although the effect is quite small. The reforms examined in more detail – the family leave reform, the extension of compulsory education and the introduction of a Nordic employment service model – may be expected to mainly improve gender equality, although the effects will be more visible only later. The work done in the project will also contribute to developing the assessment of the gender effects of economic policy in the upcoming parliamentary term.

Sources

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