

MINISTRY OF SOCIAL AFFAIRS AND HEALTH PUBLICATIONS 1999:25

POVERTY AND SOCIAL EXCLUSION IN FINLAND
IN THE 1990S, NEW EDITION

MINISTRY OF SOCIAL AFFAIRS AND HEALTH
HELSINKI 1999

Aim of the report

In 1996, an expert group headed by *Markku Lehto*, Permanent Secretary at the Ministry of Social Affairs and Health, worked on a broad project focusing on the extent of poverty and social exclusion, and the necessary remedial measures. The group's preparatory work also included the drafting of a memorandum intended as a background document for a seminar of experts convened in September that year. The seminar dealt with poverty and social exclusion and the necessary corrective measures from the point of view of administration and research. The expert group has continued its work since 1996. The aim has been to concentrate on developing various concrete measures to combat social exclusion.

Even though the Finnish economy has recovered remarkably since the mid 1990s poverty and social exclusion is still a question of great importance. To combat poverty and social exclusion is one of the new Government's main priorities of social and health policy.

The present report is based mainly on the work of the expert group. It summarizes the various dimensions and activities of the subject concentrating on the situation in Finland. This report is an updated version of corresponding report, published in April 1998.

This report was compiled by *Klaus Halla*, a Ministerial Adviser at the Ministry of Social Affairs and Health, and Research Professor *Matti Heikkilä* from Stakes (National Research and Development Centre for Welfare and Health).

Helsinki, November 1999

Markku Lehto
Permanent Secretary

CONTENTS		Page
1	Special features of the Finnish welfare system.....	1
2	Definition of poverty and ways of measuring it	2
	The concept of poverty	2
	Poverty and social exclusion	3
	Measurement methods	4
3	Present situation and extent of the problem.....	5
	Finland	5
	International comparison	11
	Dimensions of the problems	13
4	Further measures.....	16
	International commitments and action.....	16
	Finland's specific research needs	17
5	Poverty and social exclusion in Finland, concluding remarks.....	18
	References	20

1 Special features of the Finnish welfare system

Finland is one of the world's affluent, highly industrialized countries. In 1997 Finland was ranked at the 17th position amongst the OECD countries using the GDP per capita in purchasing power parities as a criteria. Rising GDP during the decades since the end of the Second World War has enabled us to build a modern welfare state, which in turn has supported expansion of the economy. Extensive income transfer systems and comprehensive educational, social and health care services are typical of Finland, as of the other Nordic countries. Guiding social principles include equal treatment of citizens and gender equality. By global comparison, one can hardly speak of 'extreme poverty' in Finland. According the UN Human Development Report Finland's ranking has been annually very high among the world's 174 countries.

Up to the early 1990s, Finland was a country of low unemployment. Income differences were small and income was distributed evenly. At the beginning of this decade, however, the country was confronted by a serious economic recession. As a result, the unemployment rate rose to an exceptionally high level. The recession and unemployment weakened people's economic standing. The universal social security, admittedly, prevented widespread poverty because it succeeded to replace main part of the lost market income due to the unemployment.

The cornerstones of Finnish welfare are the social security and education systems. There is a close affiliation between labour policy and the public service system. Social expenditure accounts for about one third of the annual State budget, and the corresponding figure for education is about 14 %. As in other Nordic countries, social protection expenditure accounts for a high proportion of GDP in Finland, in 1998 it was about 28 %. In spite of deep recession and high proportion of GDP the support for the welfare state is strong (Heikkilä et al. 1999 270-1).

Balancing the State budget required savings and higher taxes per GDP in Finland, as elsewhere. The unemployment rate has decreased and it is now 9,1 % (September 1999). The figure has come down but it is still high if we compare it to a historical trend.

2 Definitions of poverty and ways of measuring it

The concept of poverty

Poverty can be understood and defined either as a concept deriving from low income or as a consequence of insufficient disposable income (as reflected in people's consumption patterns or general well-being). What is important is the basis on which poverty is evaluated. The concept of 'indirect poverty' is measured according to the disposable income of households, whereas the concept of 'direct poverty' measures how low income influences consumption, lifestyle or the accumulation of other factors that cause personal deprivation.

Three different approaches can be used in defining poverty: basic needs, relative poverty and multiple deprivation factors. Depending on the approach, poverty can be defined in three different ways:

- a) The poverty line is defined according to the minimum income required to satisfy a person's basic needs. This basic needs approach is generally based on the cost of a basket of everyday consumer commodities.
- b) The poverty line is defined individually by the society concerned according to its income distribution. The classic method is to draw the line at 50 per cent of median income or consumption.
- c) The third model defines as poor those who, in addition to having low incomes (and resulting from that fact), suffer severe deprivation in other sub-factors of material well-being. Typical such additional factors are unemployment, poor housing, poor health and inadequate education.

In the case of deprivation, the problem is often the lack of key factors necessary for well-being (item c).

Poverty and social exclusion

In recent years, the literature, particularly in the EU, has drawn a distinction between social exclusion and poverty. This conceptual shift is particularly evident in EU political documents and programmes. Fundamentally, the question concerns two different phenomena whose origins are basically the same.

In very recent literature (e.g. Room, 1995), the key distinctions between the two phenomena are their single v. multiple dimensions and the time dimension. The table below by Josh Berghman (1995) shows the relationships between the concepts.

Table 1. Relationships between poverty and social exclusion

	Static outcome	Dynamic process
Income	Poverty	Impoverishment
Multidimensional	Deprivation	Social exclusion

Poverty is regarded as a static condition in which income is the deficiency indicator, while multidimensional social exclusion is the outcome of a more complex process than is the case in situations of pure income poverty.

Exclusion can perhaps be understood more clearly from the point of view of societal structure - as a phenomenon in which one or more of the following social sub-systems is functioning inadequately:

- politics, i.e. the democratic power distribution system;
- the economic system, i.e. the labour market as an instrument of economic integration;
- the social system, i.e. a welfare state upholding social integration; and
- family and community systems.

EU researchers have particularly emphasized the above four systems which should guarantee full citizenship and through which individuals' membership of a community and society normally takes place (Berghman, 20).

More simply, the basic dimensions of exclusion can be defined thus:

- consumption (poverty as exclusion from consumption):
- production (unemployment as an element of exclusion); and
- social cohesion (exclusion from basic human relationships, lack of family, isolation, etc.)

Thus, it would seem that (material) poverty is a specific form of social exclusion. Even so - and this is crucial in terms of social policy - not all social exclusion results in poverty.

Measurement methods

The most commonly used method of measuring poverty is one which focuses on economic measures, i.e. the relative position of low-earners compared with the total population. The **poverty rate** is generally calculated as the percentage of the total population comprising people in households below the selected **poverty line**. It is also possible to define the poverty line by using the disposable income or consumption of households as criteria. The most commonly used concept of 'income' is disposable income per household equivalent unit. The most common way of measuring poverty is to use the 'relative method', in which the poverty line is defined according to the population's median income or consumption level, being set at 40%, 50% or 60% of median income, for instance. The OECD generally uses 50% as the poverty line. No official, generally accepted level exists for all countries.

A useful measurement standard is the rise in the number of people receiving social assistance, because this reflects economic deprivation better than mere shortage of income. When using this criterion, one must remember to take factors such as changes in legislation and attitudes into account.

Poverty can be examined on the basis of a subjective assessment by an individual/research unit, or through objective measurements. In a study by Kangas & Ritakallio (1996) only 21% of those classified as poor thought themselves as poor. Of those who felt they were poor, only one fifth were poor because of their income level. The results yielded using different measurement methods may vary greatly. In a study of income poverty, the length of the study period is decisive, e.g. whether the income covered extends over a year or only the previous month. Further, the method used to collect the information (registers, questionnaires, interviews) or the income concepts used

make a vital difference. The duration of the poverty is also highly significant. Poverty can be relatively short-lived (an interim period in the individual life - for example while people are studying) or a more permanent state.

Consumer practices have been used very little in the study of poverty in Finland. The same applies to the assets of households, partly because of a lack of data. One problem is how to take into account a household that gets into debt through heavy spending and having to face unexpected changes.

3 Present situation and extent of the problem

Finland

Measured in terms of income, income poverty was virtually eliminated in Finland during the growth years of the '80s. The relative poverty rate declined that decade measured in terms of both income and consumption. In 1990, measured by disposable income (less than half of median income), the number of persons in poor households made up less than 3.0 % of the total, and only minor changes – and actually to the opposite direction as expected - occurred during the recession in the early '90s. In 1995, the proportion was 2.4 %. According to the latest figures, the figure has since risen, however, and was 3,0 % in 1997. The corresponding number of poor households was in 1997 86 800, a little bit less than in the previous year, when the corresponding number was 87 200 households. Compared to the year 1990 the number was about 15 000 more. Number of persons in poor households was in 1997 154 300.

The trend in the poverty rate in Finland from 1981 to 1997 was as follows:

	Number of persons in poor households as a percentage of the total					
	1981	1990	1993	1995	1996	1997
Poverty line 50 % of median income	4.9	3.0	2.5	2.4	2.9	3.0

If the criteria is based on consumption expenditure the result is as follows:

	Number of persons in poor households as a percentage of the total					
	1981	1985	1990	1994	1995	1996
Poverty line 50 % of median consumption	6.0	6.3	6.0	3.6	4.0	4.4

The apparent decline in the poverty rate during the recession is basically a result of the poverty line being set lower. This, in turn, was a consequence of the decline in households' real income and consumption. If the 1990 line had been adjusted by the change in living costs, the poverty line would actually have risen between 1990 and 1996. Using consumption expenditure as a measure, the rise in 1985 was explained by changes in the way the data were compiled. The results and their interpretation reveal the sensitivity of the measurement method and the concepts used.

A comparative study financed by the Nordic Council of Ministers and Sweden's social affairs administration on the development and structure of poverty in the five Nordic countries (*Den Nordiska fattigdomens utveckling och struktur*) was published in October 1996. The results concerning Finland showed a close dependency on the income concepts used. The scale of poverty depends on the consumption units and income norms used (poverty lines). Regardless of the definition and income criteria used, however, poverty had declined between 1970 and the end of the 1980s.

Since 1980s poverty has become more widespread in most of Nordic countries, if measured in economic poverty. Finland is an exception from this trend: the poverty rate have declined from 1980s to 1990. It can be said that welfare system worked as it should by preventing masses of people from exclusion. (Halleröd & Heikkilä 1999, 186, 213).

If we assess trends in the scale of poverty since the mid '80s, the result varies widely depending on whether it is gauged in terms of factor incomes or disposable incomes. The pressures to lower taxation are great also in Finland.

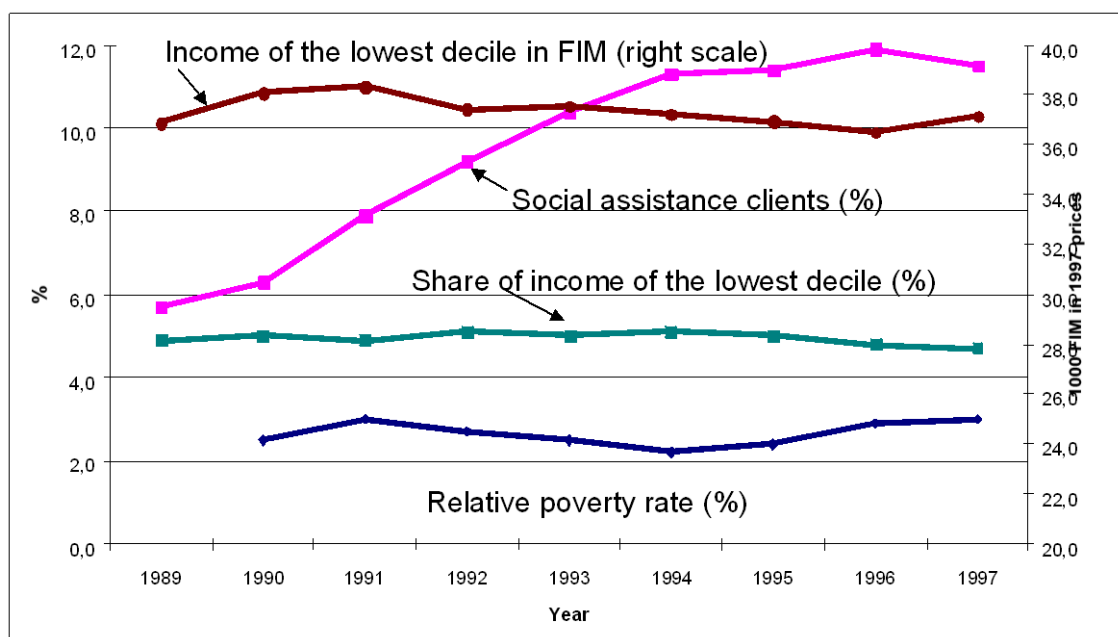
An unbalanced distribution of factor incomes may before long find reflection in the distribution of disposable incomes.

It would seem that the severe economic problems of the early '90s have not led to any massive growth in (income) poverty. In this respect, income redistribution has worked well. The great changes that have taken place in individuals' or households' life situations have not lowered their living standard to the same degree.

The most recent statistics on income distribution from 1997 indicate however, that a slight increase of income differentials has continued. The relative share of the lowest income decile of the total disposable income fell from 5.0 % in 1995 to 4.7 % in 1997 and

the respective share of the highest decile increased from 19.7 to 20.8 %. This was a remarkable increase of income differentials in ten years. Also poverty rate has increased. (Figure 1)

Figure 1. Poverty rate and the share of the lowest income decile in Finland in 1989 - 1997



Source: Stakes 1999

As an indication of the increased importance of income transfers in preventing rapid fall into poverty we can observe that whereas the relative share of transfers in the total income package of households was in 1990 21.9 %, it increased up to 32.5 % in 1994 having then fallen slowly to the level of 30.9 % in 1996. Among single parents the share of income transfers reached the level of 41 % in 1994, i.e. just after the peak of the recession.

Admittedly, the deep recession of the early '90s has greatly increased the number of people living on social assistance, compared with the situation in the '80s. Also, the structure of recipients has changed.

Number of households/persons receiving social assistance in the years 1980-1999

Year	Households	Persons	Pers/1000
1980	92 300	168 000	35
1985	129 300	239 800	49
1990	181 600	314 000	63
1991	222 700	396 100	79
1992	258 900	464 600	92
1993	292 600	528 100	104
1994	329 400	577 300	113
1995	339 000	584 000	114
1996	349 600	609 700	119
1997	344 700	593 700	117
1998	313 000	534 900	104
1999 (estim.)	280 000	478 800	93

It is estimated that in 1999 12,1 % of Finnish households will receive social assistance. In 1997 14,8 % of households received social assistance, while in 1996 the figure was 15 %, and in 1990 only 8.4%. Gross expenditure of social assistance totalled FIM 3.0 billion in 1997, as opposed to about 1.3 billion in 1990 (calculated at 1997 prices).

Unemployment is the main reason for applying for living allowance: more than half of all applicants were unemployed in 1996. The recipients of assistance have become younger, although the number of elderly applicants has also risen. The proportion of women is also on the rise. By far the most common recipients of assistance are one-person and single-parent households. One third of single-parent families were among recipients. Single men (37,7 % of recipients in 1996) are the most common type of recipient. The proportion of long-term unemployed households has risen the most rapidly among assistance recipients. Frequently, applicants have multiple problems. The need for a new approach in social work has become increasingly urgent.

The Social Assistance Act was part of the reform of minimum income schemes in 1998. The others were increase of housing allowance, unemployment benefits and study grant. Of households on social assistance 77 % received it as a supplement to some other welfare benefit, notably unemployment benefit and housing allowance. (Toimeentulotuki 1997, Stakes) The objective of this part of the reform was to change this condition and remove recipients off social assistance to primary benefits instead.

The new Social Assistance Act itself cut the level of social assistance, particularly for families with children, and introduced some new conditions for receiving the benefit, e.g. more sanctions for those refusing from work offered, less coverage of the housing costs etc. In addition, connected to the work refusal, social workers when deciding about social assistance should make a tailored plan how to promote one's integration to work.

In fact all these changes in social assistance scheme meant reduction in the expenses of social assistance and the disposable income of the recipients of social assistance. Specific aims linked to the changes are promoting integration to the labour market and making the social assistance less attractive option compared to work income.

The explicit objective of the minimum income reform was according to the government to stop the increase of recipients of social assistance, to reduce the costs of benefits and to shorten the individual dependency spell. The policy aim clearly indicated of the reform in 1998 the aim to activate people to labour market and get them off the dependency of social benefits. Social assistance should work as activating in addition to income maintenance.

According to the preliminary results of the evaluation study by STAKES one year after the implementation of the Social assistance Act indicate a remarkable decrease of social assistance recipients. The decrease in the number of households resorting on SA was 11,5 % when comparing cross-section before the Act (January 1998 to February 1999). The number of recipients has clearly turned to diminishing course as aimed in the reform.

Factors behind the trend are the changes in the minimum income schemes, social assistance in particular, but also improved employment opportunities. The decrease of number of recipients is highest in families with children.

Those still on social assistance have all lost some amount of their assistance because of cut in the level of assistance. Particularly families with children are losers because of cuts in the equivalent scale among families with more than two children. Less coverage of housing costs targeted to all the recipients has caused some concern of the increase in homelessness but there is not clear indication of this so far.

Level of social assistance is relative low. It is lower than one-person households believe they can just and just manage on. Level is higher for couples with children and this is widely agreed by the Finns. As a matter of fact the level of social assistance is a little bit higher than couples with children can manage on. (Forma & Heikkilä & Keskitalo 1999, 50-52.)

Thus, the number of income poor households has not changed dramatically. Because income transfers secure a moderate income for all, the relative number of the poor is not increasing to any significant degree. The Finnish social protection system has halted any extensive spread of poverty. According to Kangas, 17 % of Finns would have been poor in 1966 without income transfers (incomes under half of the people on average). In 1990, the corresponding figure would have been as high as 25 %, and about 30 % in 1995. Among people in regular employment, poverty is, in any case, extremely rare. According to Keso (1996), a poverty rate based on a relative income method can in many ways be considered an insufficient way of measuring households' income problems. For example, it will not indicate any over-indebtedness problems.

There is no reliable figure for the total number of households defined as poor (accumulation of poverty) using several different indicators. Nor is there any reliable information on the permanence of poverty, because no time series data are available. A two-year comparison carried out in the process of compiling income distribution statistics found that almost half of the population categorized in the lowest decile had already climbed into a higher group by the following year. A rather large proportion of low-income groups thus move into higher income groups within a relatively short time.

Information is yet lacking on links between poverty and cuts in social security following the recession. Relatively speaking, the worst affected have been households of employable age whose incomes mostly comprise social income transfers. Old-age pensioners have survived the recession moderately well because they are not threatened by unemployment, and because their pensions have not been cut. In contrast, families with several children, for example, have lost out more than average. The financial position of people with a small income has, however, deteriorated since their disposable income has been further reduced allowing them even less scope than before.

International comparison

Over 16 % of citizens in the EU 13 were estimated to live below the poverty line (half of a given country's median income) in 1994 (Eurostat 1999). Increasingly often, the poor are single parents, the long-term unemployed, young job-seekers or women hoping to re-enter working life. Migrants constitute a new group in the EU. An average unemployment rate of 9.3 % (EU 15, July 1999) means almost 16 million unemployed. The unemployment of young people under 25 continued to fall in 1998. The number of unemployed young people was in 1998 more than 4.3 million, of which 2.5 million had been without a job for at least 6 months. The most difficult problem is that the number of very long-term unemployed in the Union, those who had been looking for a job for two years or more, was actually higher in 1998 than in 1994 (5.2 million as against 4.8 million).

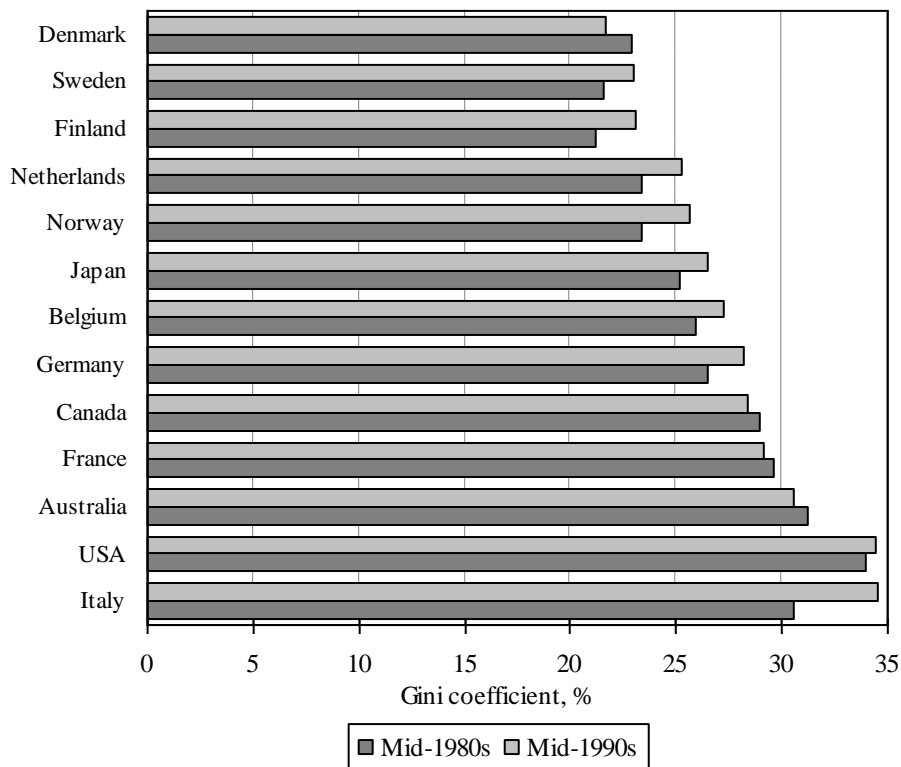
Of the countries covered by an international comparison (Ritakallio 1994), the poverty rate grew in the early 1980s in Sweden, the UK, Germany, Australia and the USA. In Finland, the rate continued to decline until the end of the 1980s. The poor comparability of available data nevertheless poses a considerable obstacle to research on international trends.

According to the Nordic study, the extent of poverty in the Nordic countries is linked to economic flux. The study was based on statistical sampling which focused primarily on the scale, development and structure of income poverty. For many individuals, poverty is short-lived. Excluding Iceland, poverty among the elderly has declined considerably since the mid '70s, thanks to the introduction of pension schemes. In contrast, the relative proportion of young people among low-earners has tended to increase. The Nordic welfare state model, whose characteristic features include extensive income transfer schemes, even income distribution and public services largely financed out of tax revenues, is the key factor explaining the low incidence of income poverty.

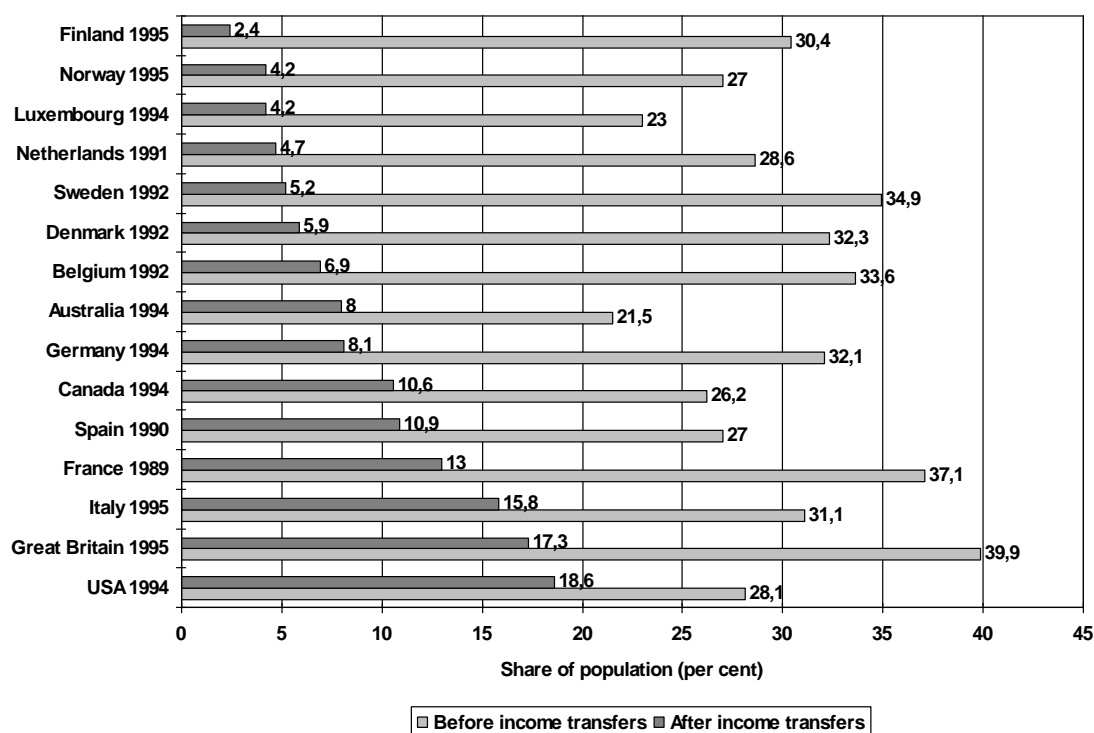
According to a comprehensive OECD income distribution survey income differences in Finland were among the smallest in the OECD countries in the mid '90s (Figure 2). Also, using the poverty and high-income measurement methods (percentage represented by the lowest and highest income decile), Finland came among the top OECD countries in equality of income distribution. Only in Belgium and Holland were there less poor people. The number of the poor rose more than 10 per cent in Italy, Ireland, Canada and Australia, and in the United States the figure was as high as 18.4 %. In the 1980s, income

differences grew most in the United States and the UK; in Finland there was no increase during that decade. The most recent statistics however indicate a slight increase in income differences in Finland, too, as was pointed out earlier.

Figure 2. Income differentials and their trends in some OECD countries



According to a comparative study of seven countries and social policy models made by Ritakallio (1994), the impact of the welfare state in reducing poverty (income redistribution) was the most effective in Finland (Figure 3). According to analyses by Rainwater and other researchers, child poverty in Finland is the lowest in the world. According to Heikkilä & Sihvo, who conducted a European comparison study (13 countries/Eurostat), a specifically Finnish feature was an exceptionally broad sense of subjective poverty and social exclusion. In their research material, there is mainly a linear (reversed) dependency between social expenditure as a percentage of GDP and the above-mentioned phenomena. Finland is an exception, combining a high figure for social expenditure to GDP with a very high sense of perceived poverty: one person in five felt socially excluded in Finland in 1993, and every seventh felt they were poor.

Figure 3. Poverty in some countries in early 1990s

Source: Stakes 1999

Dimensions of the problems

The image of poverty is not so female-dominated in Finland as in countries where women form only a small part of the workforce. Poverty is not traditionally related with gender in Nordic countries (Marklund 1990) and the situation is rather stable. During and after the Finnish recession the poverty is still equally distributed between men and women. This can be explained by women's great share of workforce and by individual (not family) based social rights. The rise in pension levels as the various schemes have developed has drastically reduced the proportion of pension receiving households among poor households. On the other hand, the proportion of the elderly among recipients of social assistance has recently started to increase. The proportion of families with children among the poor is also growing. Even so, the unemployed still make up the biggest group. Students have always been over-represented but in their case it should be noted that study loans are not counted as income. In terms of poverty, single parenthood and families with many children are still risk factors. The risk of single parenthood to be as a recipient of social assistance is 2.6 times more than on average.

The biggest cause of poverty is at the moment unemployment, in particular long-term unemployment. Unemployment is almost always connected with poverty. In the autumn of 1999 the long-term unemployed people numbered about 95,000. The problem of long-term unemployment brought about by the large-scale unemployment has not, however, been aggravated to the extent as was feared at the beginning of the economic depression. Nevertheless, there are broadly defined more than 200,000 long-term unemployed people in Finland, when those subject to active employment policy measures are included. The risk of long-term unemployment is higher for men than for women, and this is partly the reason why accumulative social deprivation is more general among men than among women.

Age is a risk factor for long-term unemployment. It seems that there are no job opportunities for aged long-term unemployed people on the regular labour market. The proportion of young people of the long-term unemployed has decreased. Despite that a number of young people who have not adequate vocational education are at risk of being permanently excluded from the labour market, since their opportunities to obtain work on the regular labour market are weak.

According to a survey dealing with the coping of long-term unemployed people, Finnish unemployed people, even the long-term unemployed, have coped reasonably well (Kortteinen&Tuomikoski 1998). The proportion of unemployed people with serious problems increased considerably only after three years' uninterrupted unemployment. Researchers have concluded that there is a group of about 30,000 persons in which unemployment, poverty and illnesses that deteriorate people's work ability accumulate.

From the point of view of poverty, curbing long-term unemployment is the key. The potential for finding jobs for the long-term unemployed is non-existent. The number of long-term unemployed who have had to fall back on labour market assistance after the maximum period of daily unemployment allowance is already over 100,000. Some of them have no working history because there was no such requirement in the previous basic daily allowance system. According to Santamäki-Vuori, the rise of long-term unemployment is introducing 'inherited poverty' into Finland. Deprivation, gloom and lack of prospects are transmitted to the children of the long-term unemployed and a poor class could be making a comeback into Finnish society. Lack of prospects is an integral element in poverty.

A new phenomenon which has emerged side by side with traditional rural poverty is urban poverty, a phenomenon which might well propagate a variety of 'poverty sub-cultures' in Finland, as it has elsewhere. Spending and debt are all part of the problem package of poverty, in that a household cannot cut its spending sufficiently fast if its income base suddenly collapses. The measurement methods commonly used fail to take into account spending as a cause of insufficient livelihood. All in all, long-term unemployment and over-indebtedness are the key factors which have increased the poverty problem during the 1990s.

4 Further measures

International commitments and action

In 1993 the UN General Assembly made 1996 the Year of Eradication of Poverty. In the programme approved by the UN Social Summit meeting (Copenhagen) in 1995, countries committed themselves to eradicating poverty. The first stage is to draft national strategies. If a country already has a national strategy, it should announce a schedule for its implementation so that other countries could learn from its experience. The focus is on the eradication of absolute poverty. In Finland's case, poverty is basically something very different from the UN definition of absolute poverty in the global sense of the word. As a continuation for the first UN Year of Eradication of poverty in 1996 UN declared the First UN Decade for the Eradication of Poverty (1997-2006).

The main ministries in Finland concerning with poverty are the Ministry of Social Affairs and Health, Ministry of Labour and Ministry of Education. Housing comes under the Ministry of the Environment. The UN asked countries to report on their progress by the end of June 1996, and Finland duly sent in its reply. This emphasized the characteristic features of the Finnish welfare state and the country's extensive public services, primarily the education system, income security, the social and health care services, and the employment services. These mean that income poverty is not a major problem in Finland.

The exclusion theme has also been considered within the Council of Europe. Finland chaired the Council of Europe Committee of Ministers in early 1997. One of the priorities was the social dimension. The Council of Europe launched a comprehensive Human Dignity and Social Exclusion (HDSE) research project focusing on the reasons for poverty and exclusion in the Member States, and looking for ways of eradicating these problems. Finland has always been active in the promotion of social issues in the Council of Europe. Finland hosted the closing conference of the HDSE project in May 1998, in Helsinki.

Within the European Union poverty and social exclusion have, according to the principle of subsidiarity, belonged under national power of decision. The Treaty of Amsterdam, that came into force in 1999, however expanded the powers of the Community in the area of social policy. The Member States committed themselves to observe the fundamental social rights defined in the Social Charter. The fundamental social rights have to be taken

into account in all Community policies as general legal principles of the Community law. The Treaty of Amsterdam transferred the provisions of the Protocol on Social Policy attached to the Treaty establishing the European Community to the Treaty itself. According to the new article 137 the Community has the power to combat social exclusion e.g. by improving the access to information. It is possible, for instance, to issue so called minimum directives through a co-decision procedure.

The EU Commission issued in July 1999 a communication on a Concerted Strategy for Modernising Social Protection, in which it proposed that the Member States intensify their co-operation, among other things, to promote social inclusion. This objective also includes combating social exclusion. The aim to promote social inclusion highlights the comprehensive approach to preventing social exclusion. The Commission's communication is on the agenda of the Labour and Social Affairs Council in autumn 1999.

Finland's specific research needs

The key issue is how representatives of various sectors, administration and the research world assess the extent, severity and future trend of poverty in Finnish society. From the point of view of research much more information were needed in the following areas:

- a) Socio-cultural effects of and approaches to employment and poverty. Does permanent exclusion cause new and different lifestyles?
- b) The need to analyse factors affecting life management and exclusion processes; A study focusing on poverty from the theoretical angle (living standard, life management, quality of life).
- c) The need to diversify research. Monitoring reforms aimed at eliminating poverty traps in Finland; behaviour patterns related to disincentives in social security.
- d) Analysis of the vicious circle of poverty to find the factors which reinforce this. Also, the need to analyse the permanence of poverty.
- e) Comprehensive study of the various dimensions of long-term unemployment, particularly regional and social differences. Urban poverty is a new phenomenon in Finnish society.
- f) Definition of a minimum income level, and focus on the area of consumer research, i.e. commodity baskets and scales of equivalence.

5. Poverty and social exclusion in Finland, concluding remarks

The starting points for the Finnish social and health policies have been comprehensive income security and service systems, not separate programmes or benefits based on employment. There are clear indications that the level and coverage of income transfers - as well as that of services - is important. These have been the most important means of reducing poverty among the different population groups. The benefits and services needed by special groups have been provided within the framework of the overall system.

The drastic growth of unemployment at the beginning of the 1990's brought about a new type of situation. People's income problems became more acute and the risk of social exclusion increased. At the same time there arose a need for looking at the problems faced by Finnish society in a new way and for finding new means to solve these problems.

The statistics and research findings available have not suggested a very strong increase in social segregation. The picture is still unclear. There have not been drastic changes in income-related poverty otherwise than in the form of the increased need for the last resort form of income security, social assistance, and even that has been on the decrease for more than a year. Income disparities have increased slightly but there is no large-scale poverty or misery in the country, at least not according to the statistics.

An indication of households' financial difficulties was the increased number of recipients of social assistance, and the growth in the expenditure on this benefit. It continued up to 1997. During the economic crisis households became more dependent on income transfers. The economic situation of households has improved for many years and it has decreased the need of social assistance.

Households' debts have reduced, but not necessarily in respect of the long-term unemployed. At this stage, no unambiguous conclusions can be drawn in regard to the regional development. There are, however, people in Finland who have more or less lost their hold on society, and several characteristics of social exclusion attach to them.

There is still a need for help. The regional segregation will strengthen if long-term unemployment cannot be reduced considerably. The unemployed, those living on social assistance, young families with children and people suffering from a long-term illness are in the most vulnerable situation. Misuse of alcohol and drugs is a contributory factor to social exclusion.

It is probably a new thing that the trends in social development and social exclusion are more and more parallel: it is more difficult to rise socially than before if the person/household concerned has fallen socially. The nature of social risks has changed compared with the years of growth in previous decades.

On the basis of research findings, studies and information from the social and health sectors there can be discerned some population groups or areas with the greater risk of exclusion in Finland. Such groups at risk are

- long-term unemployed people,
- people having mental health problems,
- children and young people living in vulnerable conditions,
- people with disabilities,
- homeless people,
- alcohol and drug misusers,
- people with excessive debts, evicted people,
- people living in problematic housing areas.

If we are to put an end to the increase in poverty and social exclusion these groups are in a key position. The measures aimed at them are probably the most efficient means of helping the groups at risk.

Relieving the problem of social exclusion requires even in Finland many-sided co-operation between various sectors. For that purpose, e.g. a wider administrative co-operation has been established for the relevant ministries to co-ordinate certain extensive projects. Reducing poverty and social exclusion is one of the main priorities of social and health policy in Prime Minister Paavo Lipponen's second Government which was nominated in April 1999.

REFERENCES

- Room, G., ed. (1995): *Beyond the Threshold. The Measurement and Analysis of Social Exclusion*. The Polity Press, Bristol, UK 1995.
- Berghman, J.(1995): Social exclusion in Europe: policy context and analytical framework. In Room, G. (ed.): *Beyond the Threshold*. The Polity Press, Bristol, UK 1995
- EUROSTAT, *Statistics in Focus 1997 - 6: Income Distribution and Poverty in EU 12 - 1993*. Luxembourg 1997.
- EUROSTAT (1999): *European Community Household Panel (ECHP): Selected Indicators from the 1995 wave*.
- Forma, P. & Heikkilä, M. & Keskitalo, E. (1999): Mikä on kohtuullinen minimi? Stakes. Raportteja 240. Gummerus. Saarijärvi.
- Gustafsson, B., ed. (1996): *Den nordiska fattigdomens utveckling och struktur*. Nordiska Ministerrådets serie TemaNord 1996:583.
- Halleröd, B. & Heikkilä, M. (1999): Poverty and social exclusion in the Nordic countries. In Kautto, M. & Heikkilä, M. & Hvinden, B. & Marklund, S. & Ploug, N. (eds.): *Nordic Social Policy. Changing welfare states*. Routledge. London
- Heikkilä, M. & Hvinden, B. & Kautto, M. & Marklund, S. & Ploug, N. (1999): Conclusion: The Nordic model stands stable but on shaky ground. In Kautto, M. & Heikkilä, M. & Hvinden, B. & Marklund, S. & Ploug, N. (eds.): *Nordic Social Policy. Changing welfare states*. Routledge. London.
- Heikkilä, M. & Sihvo, T. (1995): European opinions of poverty and exclusion. Stakes, THEMES serie 1995.
- Heikkilä, M. & Uusitalo, H. (ed.) (1997): *The Cost of Cuts. Studies on cutbacks in social security and their effects in the Finland of the 1990s*. Stakes.
- Kangas, O. & Ritakallio, V-M. (1996): Kuka on köyhä ? Köyhyys 1990-luvun puolivälin Suomessa. Stakesin tutkimuksia 65/1996.
- Keso.I. (1996): *Toimeentuloturvakatsaus 1996, luku 5 (tulonjako)*. STM:n julkaisuja 1996:3.
- LIS Working Papers, No 120 and 121/1995 by Atkinson, A. & Rainwater, L. & Smeeding, T.
- Marklund, S. (1990): Structures of Modern Poverty. *Acta Sociologica* 33 (2), 125-140.
- Ritakallio, V-M. (1994): Köyhyys Suomessa 1981-1990. Tutkimus tulonsiirtojen vaikutuksista. Stakesin tutkimuksia 39/1994.
- Santamäki-Vuori, T. (1996): Pitkäaikaistyöttömien työmarkkinakokemukset lamavuosina 1993-1994. Työministeriön tutkimuksia 131.
- Suomen sosiaaliturva Euroopan keskitasoa. *Sosiaaliturva* 83 (1995): 18, s. 17.
- Vähätalo, K. (1996): Pitkäaikaistyöttömät ja lamasta selviytyminen. *Työpoliittinen tutkimus* 132.