

# Forum on International Social Policy

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### ”Social Protection in the EU 2020 Strategy and National Targets”

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## Four main themes, shortly:

- 1. Introduction (i.e. Indicators, New Strategy vs. Old)**
- 2. Measurement difficulties ( i.e. “Old” and “New” Economic Recession, Relative measures)**
- 3. Targeting (i.e. The FI NSR, Some New Issues, Women & Pension)**
- 4. Preparation of the FI NRP (Programme preparations, Risks in the framework?)**

## Indicators, the common follow-up scheme

1. People at risk-of-poverty: people living with less than 60% of the national median income (the headline indicator, a relative measure of poverty, linked to income distribution)
2. People materially deprived: people whose living conditions are severely constrained by a lack of resources (4 out of 9 deprivation situations)
3. People living in jobless households: this population is defined to zero or very low work-intensity over a whole year (family members included)

## New strategy vs. Lisbon strategy

- New strategy, but same goals
- Highlights quantitative targets and, therefore, is more ambitious
- The numerical targets are problematical, especially the relative indicators, like the poverty risk
- There is so far no such long term tradition we could call a national common method or a culture to do politics with numerical data. This is a new policy option in Finland as well.
- The new strategy emphasizes the functions of the European Council and the Commission. The trend may have policy impacts in the long run, and perhaps impacts on competencies. Supremacy of economic policy may enlarge.

# Measurement Difficulties

- **Jonathan Bradshaw's (University of York) latest comments, a lecture in Finland in August 2010: the headline measure does not resonate or inspire!**
- **Reasons: Income is only an indirect indicator of living standards; 60 per cent of the median income threshold is arbitrary; The relative poverty threshold for a couple with two children in Estonia in 2008 was 9770 euro per year and in the UK 24380 euro per year - yet the at-risk of-poverty rate was in both countries 19 per cent**
- **But advantages to proceed as well: the EU cooperation develops from the Social Protection Committee traditions; The EU/SILC comparisons can be used without any new research; the overlap of low income and deprivation is a more reliable measure than income or deprivation alone.**

# The "Old" economic recession in the 1990's and the social impacts

- **Over-indebtedness became a familiar issue** - it hit particularly hard young families, to those who had acquired their first home.
  - **Poverty did not increase** because the unemployment system compensated for the loss of earned incomes so that the unemployed did not fall under the poverty line.
  - **Unemployment has acquired more and more a long-term character.**
  - The main finding of comparisons between the 1995 and 2000 surveys indicate that there are some inconsistencies in poverty trends. But **it seems that poverty has become an increasingly persistent problem.**
- **Source: Veli-Matti Ritakallio: Poverty in the Aftermath of the Recession: Finland in 1995 and 2000, pp. 411-432 – Down from the Heaven, up from the Ashes, edited by Kalela, Kiander, Kivikuru, Loikkanen and Simpura, Government Institute for Economic Research in Finland & The Academy of Finland, Helsinki 2001.**

## The “New” economic recession and some new issues, due to societal development

- **Social protection expenditure/GDP tends to increase**
- **benefit recipients figures grow, e.g. social assistance, unemployment & housing benefits**
- **tough savings policy in public services goes on**
- **LTU, structural unemployment grows**
- **problems in special areas: children and youth policy, alcohol and drug abuse prevention, mental health**
- **income distribution has changed, a new trend**
- **furthermore one-person households are particularly at risk of poverty**
- **Gender aspects: there are slightly over half women in the total group of persons in risk of poverty; in the lowest income decile there were approximately 123 000 persons in 2008 who were there in 1998 as well; and of those persons slightly over half were women**

## Relative measures, then ...and now

- **Relative income measurement then:** during the recession in the 1990's the relative poverty rate did not grow although the median income decreased.
- **Relative income measurement (-):** all relevant resources are not included; households use their resources and behave variously; a reasonable level of well-being is conditional on values
- **(+) international comparisons are possible; transparency, and comparability are safeguarded, although the rate definitions are arbitrary.**

# Targeting, poor or excluded population groups according to the FI NSR 2008-2011

- **Low income is more common among those who are outside the labour force and live in jobless households. The relative low income level trebled during 1993-2006 in those groups of households. On the other hand, there has been no substantial problem of in-work poverty in Finland. Low incomes are most common among single person households and single-parent families, the majority of the latter being women.**
- **The number of homeless is decreasing and the objective is to halve the number of long-term homeless. The number of households living in cramped apartments is still rather high in Finland.**
- **The risk of social exclusion seems to have increased recently, especially among substance abusers and some groups of children and young people. Increased demand for child welfare has raised concerns, as has the sufficiency of personnel resources e.g. in child and youth services and mental health services as well as in services for the aged.**

## **(Continued:)**

- **The pressure on pension expenditure has been reasonable. Finland has prepared for demographic change by renewing pension systems and increasing the prefunding of employment pensions. Yet, safeguarding the positive developments in employment is a prerequisite here.**
- **In the Finnish pension system is treatment of men and women is equal basically. Maintaining the high employment rate of women, decreasing the pay gap and safeguarding a good coverage and a sufficient level of pensions pose challenges.**
- **The risk of poverty among ageing women relying solely on the national pension is still a challenge, despite adjustments and increases of national pensions during the last years.**

# Women & pensions, a recent report

- **Elderly women's high poverty risk is strongly related to difficulties regarding the income of single-person households and the higher ratio of female than male single-person households. In addition, gender differences in the at-risk-of-poverty rate are affected by gender differences in the household structure.**
- **A residence-based or a means-tested minimum pension seems to diminish gender differences considerably only if the pension benefit is high enough to ensure an adequate minimum income also for single-person households, despite employment differences.**
- **Source: Kati Ahonen & Jarna Bach-Othman, Tracing old-age poverty - the significance of the household structure on gender differences in the poverty rate in eight EU countries, Finnish Centre for Pensions, Working papers 2010:7; EU SILC data; AT, DE, DK, GB, ES, FI, NL and SE**

# EU2020, The NRP of Finland

- **Work is going on, the coordination body and the subgroups for the 5 targets of the strategy co-operate**
- **The poverty and exclusion programme will be one part of the general government plan for the obligations of the EU 2020 strategy. The preparation takes place in close cooperation between the ministries.**
- **The NRP covers all the EU2020 strategy objectives. The Draft is available in November 2010, the final version in April 2011**

# The FI NRP: poverty and exclusion indicators & programme

- **The discussion of the details of the programme is, however, yet in an initial stage. We aim to concentrate on the activities that are related to low incomes and to unemployment. In that connection we aim to highlight e.g. the status of families with children, different age groups and immigrants.**
- **With regard to the indicators we anticipate to use the 50 per cent poverty rate indicator as well. In addition, we have considered so far that the poverty threshold indicator anchored at a point of time would be useful in our own situation and in our own follow-up. We may need some extra reviews as well for more precise targeting.**
- **The programme will be implemented in two phases. The first covers the years up to 2015 and up to the intermediate assessment, the second the years after that up to 2020.**

## (Continued)

- **Committee for reforming social protection (SATA Committee), 2009: A guarantee pension model for improving the income of persons living on the smallest pensions is already incorporated into legislation. It comes into force from 1 March 2011 onwards.**
- **Some other proposals are agreed or decided already as well. The main part of the proposals will be implemented during the following years according to available resources and decisions.**
- **A new strategy challenge: social indicators are used widely and regularly, but we do not have a tradition of numerical political targeting strictly speaking.**

## Risks in the framework ?

- numerical targets, weak tradition
- possibly some competence impacts
- poverty groups are often heterogeneous, targeting is a complex issue
- High employment rate is important - will it automatically help social policy as well? Active measures are difficult in social affairs.
- Is poverty aspect too narrow? Are we focusing too much on poverty issues instead of more comprehensive social policy?
- Is EU level activity only a naming and shaming strategy, as e.g. Olli Kangas has written?