

Social Policy Making in Finland

Hannu Uusitalo

AT A GLANCE

- Social policy making in Finland is partly based on universalism, where all residents are entitled to basic flat-rate or means-tested benefits, and partly on earnings-related benefits, where central labour market organisations and the government are involved in decision-making, forming a corporatist structure.
- The state has several research and development organisations which contribute to social policy decision-making with research, databases, and consultancy. Research institutes linked to labour market organisations have similar functions.
- Data infrastructures are well developed and largely available for research. There are advanced databases utilising both register data and sample surveys, which are often linked together. Macro-level and microsimulation models are used in forecasting future developments and in examining the effects of planned reforms.
- The use of research in decision-making varies depending on the case and the policy of the government. There is no single best solution of the use of research for all types of reforms.

UNIVERSALISM AND SOCIAL CORPORATISM ¹

The Nordic countries, including Finland, have long been identified as a particular type of 'welfare capitalism'. Social and labour market policies are partly based on universalism, where all residents are entitled to flat-rate or means-tested benefits (universalism), and partly on earnings-related benefits. As regards the latter type of benefits, social policy making in Finland has a corporatist structure. These benefits are legislated and therefore necessitate the participation of the government and parliament. Central labour market organisations and the government are involved in the

planning, decision-making and implementation. In recent decades the corporatist structure has weakened. Employers have decentralised their negotiation practices to industry-based associations and even to the firm level. Union density is in decline, dropping from 74.2 % in 2000 to 58.8 % in 2019, although still high by international standards ². Social corporatist features are still prominent in social policy decision-making. The so-called basic benefits (where entitlement is based on residency in Finland) are more clearly in the domain of party politics.

THE GOVERNMENT PROGRAMME

Maybe the most important social policy document is the government programme. Before parliamentary elections, suggestions to the programme are prepared by political parties, ministries and other public authorities, interest organisations, and other civil society organisations. Based on these suggestions, party programmes and party goals are set for the election, the parties participating in negotiations to form a government mix a cocktail acceptable to all of them. The programme presents major goals and the means for achieving them for the upcoming electoral term in a detailed manner. For example, the programme of Prime Minister Sanna Marin's government ³ has more than 200 pages. Social policy priorities are described in a 15-page long section headed "Fair, equal and inclusive Finland".

Recent governments have implemented several measures to improve the use of research in public policy decision-making. The Prime Minister's Office coordinates the government's analysis, assessment, and research activities, pursues to generate information to support decision-making, operations and knowledge management. This demonstrates the will and need to improve the utilisation of research in public policies. Slogans such as evidence-based politics are often heard in political discussions. There is also concern about the declining proportion of GDP spent on research, development and innovation. One goal of Sanna Marin's government programme was to increase research financing.

After general elections in April 2023, a new government was formed in June. The earlier government, led by social democrats, was replaced by a right-wing government. Its programme aims to make significant reforms in social and labour market policies to diminish the growth of public deficit by cutting the growth of social expenditures and by increasing the labour market participation. The programme ⁴ is a radical departure of the previous government. It remains to be seen to what extent it will be realised.

MAIN INSTITUTIONS

The Ministry of Social Affairs and Health is the key institution in preparing social policy reforms. In recent decades the role of the Ministry of Finance has become

more prominent, mainly because of problems in the public economy. Since the economic crisis of the 1990s, the Ministry of Finance has become an important agenda-setter for election debates due to its reports, in which concerns about the public deficit and the need for austerity measures have been emphasised.

Many research institutes are involved in supporting social policy decision-making. The research institutes under the umbrella of the Ministry of Social Affairs and Health, particularly the Finnish Institute for Health and Welfare have a prominent role. In pension policy and in earnings-related social benefits, the role of the Finnish Centre for Pensions in research support is essential. The Social Insurance Institution of Finland, Kela, focuses its research particularly on basic social security arrangements. Research by these organisations is crucial, but also their consultative role is important. They work in the context of administration and are therefore involved in working groups and planning processes. This promotes mutual understanding between administration and research and brings science closer to decision-making.

Several other research institutes also contribute to social policy. These include economic research institutes with an institutional footing in labour market organisations and universities. Because a large part of social policy research is conducted in the context of administration or is financed by institutions with vested interests in social policy, it is of crucial importance that universities also conduct social policy research. They often have a broader view of researched issues and can provide critical research on topics that may be taken for granted in other research settings.

DATA INFRASTRUCTURE

Databases are well developed in Finland. They include register data drawn from various administrative bodies linked to individuals by their personal identification number. These data are often linked to sample survey data. Statistics Finland, the Finnish Institute for Health and Welfare and The Social Insurance Institution (Kela) are key institutions maintaining social policy databases, as is the Finnish Centre for Pensions in the case of pension policy. Databases are available for all, if permission has been granted by the relevant authority.

Relevant survey data is stored in the Finnish Data Archive.

Research work has made adequate quantitative models available. Statistics Finland is the main producer of population projections for Finland. Many organisations have macroeconomic models, which are used particularly in short-term economic and fiscal policymaking, but also in long-term forecasts, jointly with population projections. The Finnish Institute for Health and Welfare makes long-term forecasts for social expenditures, Kela for residence-based expenditures and the Finnish Centre for Pensions for earnings-related pensions expenditures, contributions, and benefit levels. The major microsimulation model, called SISU, offers an efficient tool for economic and social policy research and planning. It is used to estimate tax revenues in the public sector, to examine the financial positions of individuals and households, and to study effects of planned legislative changes on income differences and economic incentives. In some cases, the models are integrated: they can be used as inputs for other models.

Taken together, research, databases and methods to support social policy making are advanced and have improved greatly over recent decades. This development is likely to continue. However, it is also important to use scientific knowledge in a many-sided manner, since important factors cannot always be measured or measures are only poor proxies. This requires that that ministries and other decision-preparing institutions have experts with enough understanding of the merits and limitations of current models and databases.

CONCLUSION

The relationship between decision-making and research is in constant flux. Arrangements have varied, and some ways to organise their linkages are better than others. On the basis of case studies presented in more detail in the corresponding “DIFIS-Studie” ¹, it seems crucial that the role of research and its interplay with decision-makers is clearly defined at the very beginning. It is obvious that there is no one-size-fits-all model for all situations, but it depends on particular features of the reform. However, the organisational arrangement is just a frame. What happens within the frame depends on the mutual understanding of researchers and decision-makers.

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