

The second expert group for evaluation of
the adequacy of basic social security
Adequacy of basic social security in Finland 2011–2015

Authors

The second expert group for evaluation of
the adequacy of basic social security

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Foreword

In 2010, an internationally exceptional piece of legislation entered into force in Finland: the law now requires the Finnish Ministry of Social Affairs and Health to commission an evaluation of the development of the adequacy of basic social security from an independent evaluation group. The first evaluation report generated international interest among researchers, organizations and experts, which indicated the need to make the report available to international readers as well. The evaluation report stems from a need for knowledge shared by all welfare states. Decision-makers, regardless of country, face the same social policy issues concerning the adequacy of social security and its sufficient relative level.

After being appointed, the second expert group for evaluation of the adequacy of basic social security made the decision early on to publish the evaluation report also in English. This English translation promotes international recognition of the evaluation of the adequacy of Finnish basic social security. It also provides a unique description of the Finnish social security system and the households depending on it for the disposal of researchers and other experts.

The group hopes that the report at hand helps promote the Finnish model of statutory evaluation of the adequacy of basic social security and the example it sets on how research is able to produce information to support decision-making.

In Helsinki, August 21, 2015

Pasi Moisio

Chairman of the second expert group for evaluation of the adequacy of basic social security

Abstract

In accordance with the act on the national pension index (Laki kansaneläkeindeksistä 456/2001), the Ministry of Social Affairs and Health is to commission an evaluation of the adequacy of basic social security every four years. An independent expert group is to be appointed for the task and to carry out the assessment autonomously. In April 2014, commissioned by the Ministry of Social Affairs and Health, the National Institute for Health and Welfare convened the second expert group for evaluation of the adequacy of basic social security, and to conduct the second evaluation of its kind.

The second expert group decided to conduct the evaluation by applying the same basic solutions as the first evaluation group did but developed and intensified the evaluation in several aspects. The second evaluation examines the development of the adequacy of basic social security and the factors affecting it from 2011 to 2015. The model family calculations applied in the evaluation have been generated with the new SISU microsimulation model of Statistics Finland.

As a rule, the disposable income of households depending on basic benefits (or on low wages) increased between 2011 and 2015, in relation to average wage-earners and in real terms, both before and after dwelling costs. However, during the same period, the real wages of an average-earning household remained essentially at the same level. Persons living alone in rental dwellings and receiving the basic benefits are calculatedly entitled to means-tested basic social assistance. Their income level is determined according to the level of basic means-tested social assistance, and amounts to 43 per cent of the income level of average earners living alone. As the level of guarantee pension is higher than the other benefits, the estimated entitlement to means-tested social assistance is not realised. The income level of single-dweller guarantee pension recipients is 48 per cent of the income level of average earners. In Finland, the income level guaranteed by basic social security is in line with the average level in Western Europe, both before and after housing costs.

With the exception of pensioners, the income level of persons relying on basic social security is not adequate to cover reasonable minimum costs determined in reference budgets. In 2014, the income level of unemployed persons, students or sickness allowance recipients living alone in rental housing was enough to cover 71 per cent of reasonable minimum costs. The respective figure for guarantee pension recipients was 102 per cent. The income level of persons on basic social security has increased since 2011 compared with the reference budgets of reasonable minimum costs. Their income level proves to be inadequate when compared with the level deemed adequate by the general public. It amounted to 66 per cent of the monetary sum deemed adequate. The income level of persons on guarantee pension amounted to 85 per cent of the level that the Finnish general public regarded adequate for living.

The total number of people living in households completely dependent on basic social security—basic benefits, housing allowances and means-tested social assistance—totalled 231,000 or 4.3 per cent of the Finnish population in 2013. The number has increased since 2011. The average duration of total dependence on basic security is four years on average. A total of 71 per cent of households on basic social security benefits are at risk of poverty (the respective percentage for the total population is 13), and 54 per cent report their income to be inadequate (respectively, 25 per cent of the total population). When monitoring the benefits administrated by the Finnish Social Insurance Institution (Kela), the majority, or 64 per cent, of basic benefit recipients are women. Meanwhile, 61 per cent of general housing allowance recipients living alone are men. Further, of all recipients of means-tested social assistance 53 per cent are men.

Reforms in benefit and tax legislation during 2011–2015 have decreased the Gini coefficient used to measure the income gap by approximately 0.8 percentage points, and the relative poverty risk by approximately 1.4 percentage points. Due to legislative amendments, the share of unemployed persons in unemployment traps has increased. Furthermore, the participation tax rate has increased, both regarding the transition from unemployment to full-time work and from part-time to full-time work.

Keywords: social security, basic social security, minimum subsistence, income security, social insurance

1 Commission

The committee appointed to prepare a reform of social protection (the SATA Committee) proposed in its final report (STM 2009) that a statutory evaluation of the adequacy and development of basic social security should be carried out at the end of each parliamentary term. The proposal arose from research-based knowledge on how the level of benefits may, in the long term, become significantly lower compared with the average income development even if the benefits' purchasing power is guaranteed to remain the same with index protection. The Committee proposed a regular, periodic evaluation of basic social security as a way to obtain tested knowledge to support decision-making on the adequacy of basic social protection.

In accordance with the Committee's suggestions, the Finnish Government issued a legislative proposal for amending the law on the national pension index (Government proposal 108/2010), and the law entered into force in 2010 (Laki kansaneläkeindeksistä annetun lain muuttamisesta 1064/2010). The act on the national pension index (Section 4a) states that the Ministry of Social Affairs and Health is to commission an overall evaluation of the adequacy and development of basic social security every four years. The evaluation must take into account benefits provided to households by the Social Insurance Institution (Kela) as well as social assistance. The first evaluation of the adequacy of basic social security was proposed to be carried out before the 2011 parliamentary elections.

The statement of reasons in the Government proposal suggested that, in addition to individual benefits, the evaluation should cover the sum of all factors contributing to basic means of support. In addition to the evaluated benefits, the overall evaluation should look into other factors which substantially affect the income of households receiving said benefits. The overall evaluation should also take into account special features related to different life situations, when they affect the benefit recipients' income and the actual adequacy of the benefits. The statement of reasons also ascertains that the evaluation is most useful when carried out at the end of each parliamentary term, so that it can be used in drafting the next government programme. Another objective of the evaluation is to provide support for budgetary processes and procedures and other decision-making. The evaluation could also be used to follow up on the implementation of the government programme. To guarantee the independence of the evaluation, the Ministry of Social Affairs and Health does not draw up the evaluation, but is rather only responsible for commissioning the report.

According to the view of the parliamentary Social Affairs and Health Committee (29/2010), the evaluation must look into the effects of basic social security and other social security benefits on income distribution, the incentive effects of working and the functionality of the labour market, including the harmonisation of income from wages and social security benefits. The Committee also

emphasised the importance of the evaluation examining how taxation and the loss of benefits due to income from wages affect low-paid workers in relation to benefit recipients. Neither the Government proposal nor the report of the Committee of Social Affairs and Health stated that evaluating social security funding should be a task of this evaluation report.

In autumn 2010, the Ministry of Social Affairs and Health assigned the National Institute for Health and Welfare to convene an expert group for the evaluation of the adequacy of basic social security to produce the first evaluation in time for the 2011 parliamentary elections. The expert group for the evaluation of the adequacy of basic social security published its evaluation in February 2011 (THL 2011). The Ministry of Social Affairs and Health and the National Institute for Health and Welfare (THL) agreed in a performance agreement on January 1, 2014 that the National Institute for Health and Welfare convene an expert group for the compilation of the next (i.e., 2015) evaluation report of the adequacy of basic social security. The Director General of the National Institute for Health and Welfare appointed the second expert group for the evaluation of the adequacy of basic social security on April 2, 2014. The task of the expert group is to produce an evaluation of the adequacy of basic social security as stipulated in the act on the national pension index by March 1, 2015. The appointed expert group would be responsible for the practical execution of the evaluation and the contents of this evaluation report.

Research Professor Pasi Moisio from the National Institute for Health and Welfare was appointed to chair the expert group. Other appointed members were Senior Planning Officer Kirsi-Marja Lehtelä and Researcher Susanna Mukkila from the National Institute for Health and Welfare; Researcher Elina Ahola, Chief Mathematician Teemu Hänninen and Researcher Jussi Tervola from the Social Insurance Institution of Finland; Senior Researcher Veli-Matti Törmälehto from Statistics Finland; Senior Advisor Suvi Ritola from the Finnish Centre for Pensions; Senior Researcher Heikki Viitamäki from the VATT Institute for Economic Research; Project Planner Anna-Riitta Lehtinen from the Consumer Society Research Centre, University of Helsinki; Research Officer Olli Kärkkäinen from the Parliament of Finland, Research Service, and Professor Mikko Niemelä from the University of Turku. Consulting Officer Ilari Keso from the Ministry of Social Affairs and Health and Financial Advisor Mauri Kotamäki from the Ministry of Finance were appointed consulting experts of the group. Mikko Niemelä was appointed co-chair of the expert group.

The second expert group for evaluation of the adequacy of basic social security has completed its work and will now present its evaluation on the adequacy of basic social security.

Helsinki, February 26, 2015

Authors

2 Introduction

As regards the concepts of social security and different benefits, public discussion often involves inaccuracy and mix-ups. Finnish social security can mainly be divided into two groups. The first group includes employment-based benefits securing income, such as earnings-related pensions, earnings-related sickness benefits and rehabilitation allowances, earnings-related maternity, paternity and parental allowances and earnings-related unemployment benefits. Also compensations for occupational accidents or diseases are included in this group of benefits. The purpose of earnings-related unemployment security is to secure, at a reasonable level, the former standard of living in case a social risk, such as unemployment or illness, actualises or during retirement. In the second primary group of income security are benefits based on residing in Finland. Such benefits are national and guarantee pensions, minimum sickness allowances, minimum maternity, paternity and parental allowances, basic unemployment allowance and labour market subsidy. These benefits are administered by Kela and they are meant to guarantee basic income security. Similarly, basic social security is meant to secure at least basic-level income and a reasonable standard of living for everyone, without income- or means-testing, in case an aforementioned social risk actualises.

The basic social security of low-income households is complemented with housing benefits and last-resort social assistance, which is a means-tested municipal benefit and meant to be temporary in nature. The purpose of social assistance is to cover, on a case-by-case basis, such particular and unexpected costs and needs, which are not covered by basic social security or housing benefits and which cannot be otherwise covered. The administration of social assistance will be transferred from municipalities to the Social Insurance Institution as from January 2017 (Government proposal 358/2014).

The terms basic social security and minimum social security can sometimes be used synonymously. Other Kela-administered social insurance based benefits and housing assistance can also be considered a part of basic social security. There is, however, a legislative basis for the definitions of basic and minimum social security. The Constitution (Section 19, Subsection 2) provides everyone with the right to *basic social security*, i.e., security of basic subsistence during unemployment, sickness, incapacity for work and old age, as well as due to the birth of a child or the loss of a caretaker. The interpretation of this statute has been that basic subsistence must be guaranteed in these life situations without income- or means-testing. A general interpretation is that the level of basic social security must be higher than the level of minimum social security outlined in Section 19 Subsection 1. (Tuori 2004.) According to Subsection 1, anyone who is not able to obtain the security needed for a life of dignity is entitled to necessary income and care, i.e., minimum social security. Guaranteeing minimum social security requires case-by-case means-testing and is guaranteed by last-resort social assistance.

Section 19 of the Constitution does not, however, define the euro amount of a decent or reasonable level of basic or minimum social security, as defining the level is ultimately a matter of social policy. To support political decision-making, different working groups and committees have tried to find out whether the level of basic and minimum social security is adequate. The expert group convened by the National Institute for Health and Welfare published the first evaluation report on the adequacy of basic social security in 2011 (THL 2011). The report presented all working groups and methods which have been employed to define the level of a reasonable standard of living ever since the 1971 Parliamentary Principle Committee for Social Welfare. The view of the Principle Committee on the level of basic social security was that it should guarantee a standard of living which is socially acceptable and does not differ too significantly from the average standard of living of the population. It was also noted that the question of when a standard of living differs too significantly from the average standard of living of the population is primarily a matter of values and cannot be answered solely with the help of research. Empirical research produces knowledge on the income formation of households and on the average standard of living that households obtain through their income.

The expert group that prepared the evaluation report of the adequacy of basic social security in 2011 (THL 2011) introduced a loose working definition for basic social security. This was necessary because of the commission, which stipulated that the evaluation should include, in addition to individual benefits, the overall development of factors affecting basic subsistence. In accordance with the position adopted by the first expert group for the evaluation of the adequacy of basic social security, in the evaluation report basic social security was defined as the primary income security for non-active (those outside the workforce) persons not covered by earnings-related benefits. This primary income security is complemented by housing benefits and social assistance for the people with lowest income. The benefits examined were national pension, general survivors' pension, basic unemployment allowance and labour market subsidy as well as minimum sickness allowances and minimum parental allowances. Since it is common that households receive several benefits simultaneously, the examination was extended to child benefits, student financial aid, child home care allowance and child maintenance allowance to obtain an overall picture. To provide comparison, the income formation of middle- and low-income households as well as earnings-related unemployment security were included in the examination. Households' income formation was examined with four different family types in model family calculations. The examinations were conducted in terms of disposable income both before and after housing costs. The adequacy of household income was evaluated in relation to the development of prices and wages, reference budgets describing minimum consumption and popular opinion. The evaluation report also looked into the income distribution status of those living on basic social security and the level of Finnish social assistance from an international perspective.

This second evaluation report on the adequacy of basic social security is similar to that of 2011 in its basic structure. First, we introduce the benefits analysed and their development. Next, the focus will shift to the effects of taxation, overlap of benefits and the inactivity traps of becoming employed. The disposable incomes of the model families before and after housing costs are evaluated in relation to each other and also relative to the development of prices and wages, reference budgets, popular opinion and the levels of other countries. The distribution of basic social security benefits among income brackets will also be examined, as will be the income distribution status and its development of households depending on basic social security. Both model-family and data-based analyses of the previous evaluation report have been deepened in many respects. The model-family analyses now include those receiving earnings-related pensions. Also, the effects of housing costs were examined on four different levels: rental dwelling in a small municipality, in a medium-sized municipality and in the Helsinki metropolitan area as well as owner-occupied dwelling. The adequacy of the benefits in relation to popular opinion will be examined benefit by benefit with the help of a customer survey conducted by Kela. The data-based analyses will now include panel surveys, and the examination of the allocation of benefits will include earnings-related benefits. An entirely new point of view is the examination of the income distribution effects of the legislative reforms of benefits and taxation during the parliamentary term 2011–2015. Another new perspective in the evaluation report is the analysis of the allocation of basic social security between genders both as total amounts and in individual benefits. The legislative income distribution effects as well as the model family calculations have been produced with the new SISU microsimulation model of Statistics Finland.

The evaluation report looks into the development of basic social security in 2011–2015. This means that the research data and the realised legislation mainly fall on the term of Prime Minister Jyrki Katainen. The aim of the government programme presented to the Parliament in June 2011 was to develop Finland as a Nordic welfare state by equally promoting social cohesion and competitiveness. From the point of view of the development of basic social security, the central message of the government programme was publicly stating the goal to, during the parliamentary term, reduce poverty, inequality and social exclusion and to improve income security. To narrow the gaps in income and welfare, the programme resolved to draft an extensive operational programme. The feasible aim of the operational programme was to impact the creation of a new operational model of political decision-making, so that the effects of decisions on people's welfare, health and social exclusion would be taken into account in government as broadly as possible. The operational programme has not, however, had a direct impact on legislation or the state budget. (Lehtelä 2014.)

Another programme decision made during the term of the Katainen government may, on the other hand, have far-reaching effects on basic social security. In the government budget negotiations of 2013, an agreement was made on a programme of structural reform. The programme included a

decision of transferring basic social assistance from municipalities to be administered by the Social Insurance Institution. The starting point of the programme was eliminating the sustainability gap in the Finnish public economy. Also, in the spring of 2014 the government agreed, as a part of the government economic policy, on the frame of appropriations for 2015–2018. The frame agreement included central reforms from the perspective of the development of basic social security. The effects of these reforms will be evaluated later in this report. The government of Prime Minister Alexander Stubb, instated in June 2014, primarily committed in its programme and central policies to the goals and reforms agreed upon during the previous government term.

This evaluation report aims at providing, on the basis of empirical research, a perspective on the development of the adequacy of basic social security and the formation of household income during the past parliamentary term. The evaluation report fulfils the task issued in the act on the national pension index (Section 4a) to evaluate the adequacy of basic social security every four years. The evaluation report is the second in order. As noted earlier, the question of the adequacy of basic social security and its relation to the average standard of living in the population is also values-based. The objective of this report is to provide material on the adequacy of basic social security and its development to support political decision-making.

3 Factors impacting the adequacy of basic social security

3.1 Social security examined in this report

The following chapters will contain descriptions of the analysed benefits in 2015. After this we will shortly go over the most central legislative reforms of 2011–2015 impacting said benefits. The benefits examined are unemployment allowance and labour market subsidy, earnings-related pension, national pension and supplementary guarantee pension, survivors' pension, parental allowance, child benefit, child home care allowance, child maintenance allowance, sickness allowance, and student financial aid and, of housing benefits, general housing allowance, housing allowance for pensioners and housing supplement for students. The examination is also extended to last-resort, means-tested municipal social assistance.

3.1.1 Unemployment security

Unemployment security is divided into basic unemployment security and earnings-related unemployment security. Unemployed persons, who are not insured with an unemployment fund, who do not meet the work requirement of having been employed for at least 26 weeks during the two years

preceding unemployment or who have already received earnings-related unemployment allowance for the maximum period of 500 days, are covered by basic unemployment security and are eligible for basic unemployment allowance or labour market subsidy. Persons insured with an unemployment fund are eligible for earnings-related unemployment allowance, as long as they meet the work requirement. Both basic and earnings-related unemployment allowances are considered taxable income, and their levels are adjusted according to changes in the national pension index.

In 2013, expenditure on labour market subsidy was €1,428 million and on basic unemployment allowance €254 million. Figure 1 shows the development of the total number of persons receiving unemployment benefits in 1985–2013.

Figure 1. Total numbers of persons receiving basic unemployment allowance, labour market subsidy and earnings-related unemployment allowance in 1985–2013.



Source: Kela.

Basic unemployment allowance

Persons eligible for basic unemployment allowance (Act on unemployment security, Part II [Työtömyysturvalaki 1290/2002]) are all those residing in Finland, including citizens of EU and EEC countries working in Finland. To qualify for basic unemployment allowance, one must register with the Employment and Economic Development Office. Basic unemployment allowance can be granted to a person who is 17–64 years old, is seeking full-time employment and meets the work requirement, i.e., has been employed for at least 26 weeks during the two years preceding unemployment. Basic unemployment allowance is paid, after a five-day waiting period, for five days a week for a maximum of 500

days or approximately two years. However, basic unemployment allowance may be paid for a longer period of time for older unemployed persons who meet specific requirements until they turn 65.

The amount of basic unemployment allowance is €32.80 per day, or, just over €700 per month. Basic unemployment allowance may be supplemented if there are children under the age of 18 residing in the same household. The child increase is €5.29 per day for one child, €7.77 for two children and €10.02 for three or more children. Also, unemployed persons who meet certain requirements are eligible for a supplementary allowance, the amount of which is €4.80 per day. For the period of employment promotion measures, compensation for expenses is paid in the amount of either €9 or €18 per day.

Incidental or part-time earnings during the unemployment period have an effect on the amount of the basic unemployment allowance. If a person's earnings exceed €300 per month or €279 in four weeks, each euro earned decreases the basic unemployment allowance by 50 cents. This decreased basic unemployment allowance is called adjusted basic unemployment allowance.

Labour market subsidy

Labour market subsidy (Act on unemployment security, Part III [Työttömyysturvalaki 1290/2002]) may be granted to unemployed jobseekers who are: between 17 and 64 years of age, resident in Finland, seeking full-time employment, capable of working, at the disposal of the labour market and in need of financial aid. Unemployed persons who have received basic or earnings-related unemployment allowance for the maximum period of time (500 days) or who do not meet the work requirement, are eligible for labour market subsidy. The full amount of the labour market subsidy is equal to the amount of the basic unemployment allowance, and it may be supplemented with child increases, supplementary allowance and compensation for expenses.

Labour market subsidy is partially means-tested. This means that capital income of the unemployed person and, for those under the age of 25, their parents' income may reduce the amount of labour market subsidy. Means-testing is not, however, applied during employment promotion measures. Incidental or part-time earnings are adjusted to the amount of the labour market subsidy similarly to basic unemployment allowance.

Earnings-related unemployment allowance

As the name suggests, the amount of earnings-related unemployment benefits (Act on unemployment security, Part II [Työttömyysturvalaki 1290/2002]) is related to the previous earnings of the recipient. Members of unemployment funds who meet the work requirement are eligible for earnings-related unemployment allowance. Meeting the work requirement means that the applicant has been employed for at least 26 weeks (at a minimum of 18 hours per week) during the preceding 28 months. Currently, earnings-related unemployment allowance is paid for 400 days, if the person has an employment history of less than three years or if the person, without a valid reason, rejects employment promotion measures during the first 250 days of unemployment. In other cases, the earnings-related unemployment allowance is payable for up to 500 days.

The earnings-related unemployment allowance consists of a basic part and an earnings-related part. The basic part is equal to basic unemployment allowance or labour market subsidy (without supplements), €32.80 per day. An additional child increase is paid for up to three children. The amount of the child increase is equal to that of basic unemployment allowance. The earnings-related part is 45 per cent of the difference between daily wages and the basic part. This is applied up to a certain income limit (an amount 95 times the basic unemployment allowance), after which the earnings-related amount increases by 20 per cent for each exceeding euro. The respective percentages for the supplementary earnings-related unemployment allowance are 58 per cent and 35 per cent. Eligibility for temporary supplementary earnings-related unemployment allowance may be gained, if the person has a sufficient work history or he/she participates in an employment promotion measure.

The wages upon which the amount of earnings-related unemployment allowance is based is somewhat smaller than the person's gross wages. This is because a deduction is applied with the purpose of taking partly into account the employee's pension and unemployment insurance payments. This so-called TEL deduction was 4.28 per cent in 2015. Also, not included in the calculated wages are holiday pay, holiday bonuses, monetary deposits or withdrawals from a working-time account, compensations paid at the end of employment or stock options. The amount of the full earnings-related unemployment allowance with child increases is, at maximum, 90 per cent of the wages upon which the allowance is based. It must, however, be at least equal to basic unemployment allowance supplemented with child increases. If a person is eligible for the supplemented earnings-related component, the full earnings-related unemployment allowance may be, at maximum, equal to the amount of the calculated wages on the basis of which the allowance is determined.

The earnings-related unemployment allowance is funded by the state (41.7%), employers (42.5%) and employees (10.4%) as well as by membership fees of labour unions and unemployment funds

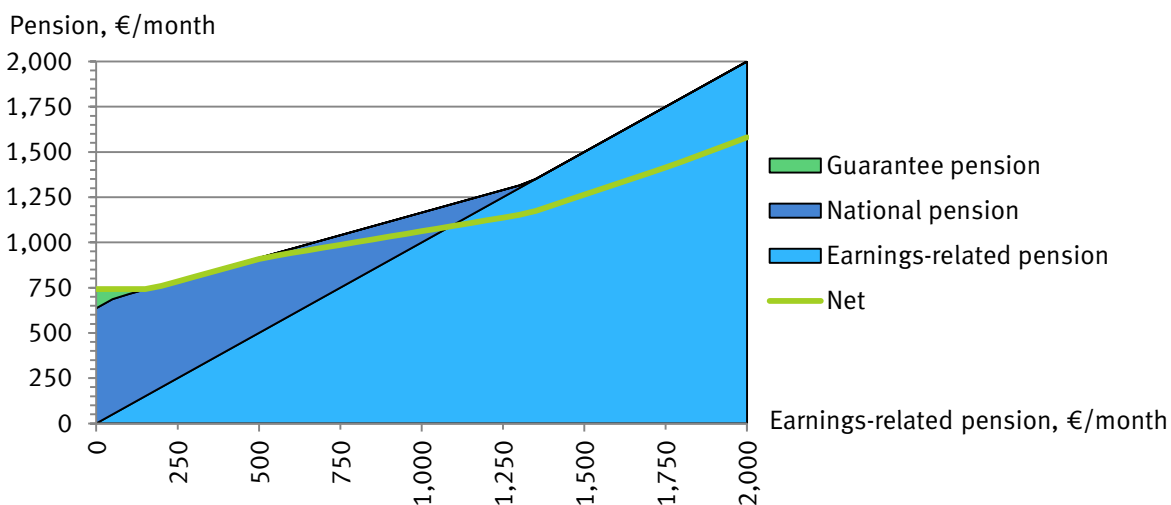
(5.4%). In 2012, total expenditure of earnings-related unemployment security was €2.1 billion. The total expenditure of all unemployment benefits was €3.5 billion, so the share of earnings-related unemployment security was approximately 59.9% of the total expenditure.

3.1.2 Pension security

Earnings-related pension and national pension along with guarantee pension secure income in the case of old age, disability and death of a provider. Earnings-related pension is accrued from employment, and national and guarantee pensions secure a minimum pension for pensioners whose earnings-related pensions are small due to a short working career or low wages. A pensioner may also be entitled to supplements defined in the national pension scheme. In addition to earnings-related and national pensions, pensions are paid under laws of accident and motor insurances and military injuries. Benefits paid under these laws take precedence in relation to earnings-related and national pensions. Statutory pensions are taxable income taxed according to the principles of earned-income taxation.

Presented in Figure 2 is the full pension comprising earnings-related pension, national pension and guarantee pension. A person's national pension decreases with the increase of pension income, so that half of one's earnings-related pension is subtracted from the full national pension. The national pension starts to decrease when a person's earnings-related pension income exceeds a marginal income (€56.20 per month in 2015). In 2015, if the earnings-related pension income exceeds €1,315.88 for persons living alone and €1,172.05 for persons living with a spouse, national pension is not paid.

Figure 2. Total pension in 2015.



Source: Finnish Centre for Pensions.

At the end of 2013, 57 per cent of pensioners residing in Finland (excluding recipients of survivors' pensions and part-time pensions) received only earnings-related pension. 38 per cent received pensions from both the national pension and the earnings-related pension schemes and 6 per cent received only national pension. The total number of all pension recipients was 1,513,000. At the end of 2013, there were 1,358,000 recipients of personal earnings-related pension and 641,000 recipients of personal national pension. As shown in Table 1, there were 532,000 persons who received earnings-related and national pensions simultaneously. The total number of all pension recipients was 1,513,000, out of whom 1,467,000 received personal pension.

Table 1. Numbers of recipients of pension benefits at the end of 2013.

	Earnings-related pensions	National pension
All pensions	1,408,900	688,404
Pension based on own working career /Own national pension	1,358,000	641,014
Old-age pension	1,154,500	483,691
Disability pension	182,500	152,163
Unemployment pension	174	5,160
Part-time pension	20,400	-
Farmer's early retirement aid	18,300	-
Spouse's pension	259,600	5,883
Orphan's pension	14,600	19,088
Child increase (recipients)	-	12,747
Front-line supplements	-	32,004
Guarantee pension	-	102,864

Source: Finnish Centre for Pensions; Kela.

The total expenditure on pension in Finland in 2013 was €27.1 billion. The statutory annual spending on pensions consists of earnings-related pensions (€23.4 billion), pensions paid under the national pension scheme (€2.6 billion) and pensions paid under laws of motor insurance, accident insurance and military injury (€0.5 billion).

Earnings-related pension

Earnings-related pension is accrued from paid employment and self-employment, which are insured under the earnings-related pension scheme. Wage earners gain earnings-related pension security mainly under the employees pensions act (Työntekijän eläkelaki 2006/395). Public sector employees and entrepreneurs have pension security through separate pension acts. Earnings-related

pension may be based on employment under several pension acts, but pension benefits are primarily the same under all pension acts.

The purpose of earnings-related pension is to reasonably maintain the standard of living achieved through employment when a person retires. The pension is determined by the legislation effective at the time of employment. Pensions payable as earnings-related pension are old-age pension, disability pension, survivors' pensions and part-time pension. A person may retire on old-age pension under the earnings-related pension scheme at the age of 63 at the earliest. The amount of earnings-related pension is affected by the level of earned income, the length of the working career, the accrual rate depending on one's age, the life expectancy coefficient, and index adjustments.

Statutory pension security is mainly funded with earnings-related pension fees paid by employers, employees and entrepreneurs as well as pension assets accrued from fees and related investment profits.

As from 2005, employment between the ages of 18 and 52 has accrued earnings-related pension at a rate of 1.5%, employment between the ages of 53 and 62 at a rate of 1.9%, and employment between the ages of 63 and 67 at a rate of 4.5%. Pension is calculated based on earnings, which have been adjusted to the level of the first year of pension by the wage coefficient and of which the employee pension fee has been deducted. The accrued pension is then adjusted with the life expectancy coefficient. Employment pension is accrued for all earnings and it has not been capped.

Disability pension comprises pension accrued before becoming disabled and the accrued pension component for the projected pensionable service from the time of becoming disabled until the age of 63. The pension component for the projected pensionable service is primarily based on the earnings of five years preceding the start of disability pension. The pension accrual rate for the projected pensionable service is 1.5%.

Earnings-related pension is also accrued for certain unsalaried periods. Pension is accrued for sickness and rehabilitation benefits, parental allowances, earnings-related unemployment allowances, and certain education benefits at a rate of 1.5% of the earnings on which the benefit is based. The share of income, on which the benefit is based and which is taken into account in employment pension, varies between benefits. In addition, a benefit parallel to pension is accrued for taking care of a child under the age of three and for studying, which is legislated under a separate act (Act on compensation of pension paid from state funds for the duration on providing care for a child under three years of age or studying [Laki valtion varoista suoritettavan eläkkeen korvaamisesta alle kolmivuotiaan lapsen hoidon tai opiskelun ajalta 644/2003]). These benefits accrue pension at a flat rate of €706.87 per month in 2014.

Since 2010 a life expectancy coefficient has been applied to old-age pensions to adjust the pensions automatically to the changes in life expectancy. It affects the total amount of accrued employment pension. The life expectancy coefficient is determined for each birth year class at the age of 62. Persons who retired on old-age pension at the age of 63 in 2014 will have their monthly pension reduced 2.1 per cent by the life expectancy coefficient.

When determining the pension, all earnings from employment are adjusted to the level of the first year of pension by the wage coefficient, where the share of wage-earners' income level is 80 per cent and the share of change in price level is 20 per cent. All employment pensions in payment are adjusted annually with the earnings-related pension index, where the share of wage-earners' income level is 20 per cent and the share of change in price level is 80 per cent.

National pension

National pension (National pensions act, Part II [Kansaneläkelaki 568/2007]) is a residence-based benefit, i.e., eligibility for the benefit and its amount are determined by the length of residence in Finland. An applicant's residence abroad will reduce the amount of the national pension, if the applicant has resided in Finland for less than 80 per cent of the time between turning 16 until the beginning of retirement. If the applicant has resided in Finland for less than three years, national pension cannot be granted. Also, the pension recipient's family situation affects the amount of the pension: the monthly pension of persons living with a spouse is approximately €70 smaller than the pension of a person living alone.

National pension is paid when a person's earnings-related pension remains small or the person does not receive one at all. Old-age pension and disability pension are payable as national pension. The limit for old-age pension in the national pension scheme is 65, but early old-age pension may be granted to 63-year-olds. Disability pension can be granted to applicants aged 16–64.

The earnings-related pension deduction is applied to national pension. National pension is not paid to persons whose earnings-related pension (in 2015) exceeds the amount of €1,316 per month for persons living alone and €1,172 per month for persons living with a spouse. Other received pensions and compensations are regarded as income. The full national pension for a single person is €637 per month and for a person living with a spouse €565 per month. The full national pension is granted when a person's employment pension is €56 per month or less.

Guarantee pension

The guarantee pension (Act on guarantee pension [Laki takuueläkkeestä 703/2010]) secures a person residing in Finland with minimum pension, if the person's other total gross pensions are less than €746.57 per month. The income limit and the minimum pension will be smaller, if the pension recipient has chosen early old-age retirement.

All other pensions received from Finland and abroad have an effect on the amount of guarantee pension. Full guarantee pension is only granted to persons with no other pension income. Other pensions are fully subtracted from the full amount of guarantee pension. Included in these pensions are, e.g., survivors' pensions and workers' compensation pensions.

Guarantee pension is not reduced by the earnings, capital gains or property of the recipient. The amount of guarantee pension is neither reduced by the care allowance for pensioners, housing allowance for pensioners nor informal care allowance. Guarantee pension affects housing allowance and possible social assistance received by the household.

There are approximately 100,000 guarantee pension recipients, which is seven per cent of all pension recipients. Half of them live alone and their only pension income is the full national pension, which means that the guarantee pension they receive is €109.94 per month. Total expenditure on guarantee pension in 2013 was €157.7 million.

Survivors' pension

There are two complementary statutory survivors' pension schemes in Finland. The general survivors' pension based on the national pensions act (Part III [Kansaneläkelaki 568/2007]) and the survivors' pension available from the earnings-related pension scheme (Employees pensions act [Työntekijän eläkelaki 2006/395]) based on the earnings-related pension earned by the deceased person. The survivors' pension of the national pension scheme includes spouse's pension and orphan's pension. Survivors' pensions are also paid from accident, motor and patient injury insurances. Spouse's pension defined in the national pensions act is not paid to a surviving spouse over the age of 65, whereas there is no age limit on the spouse's pension defined in the employees pensions act.

A child and a surviving spouse under the age of 65 may simultaneously receive survivors' pensions based on both the national pensions act and the employees pensions act.

In order to qualify for survivors' pension, the deceased person and the surviving spouse need to have been married or in a registered partnership. An underage child is eligible for the survivors' pension, when the deceased person is their mother, father or another parent.

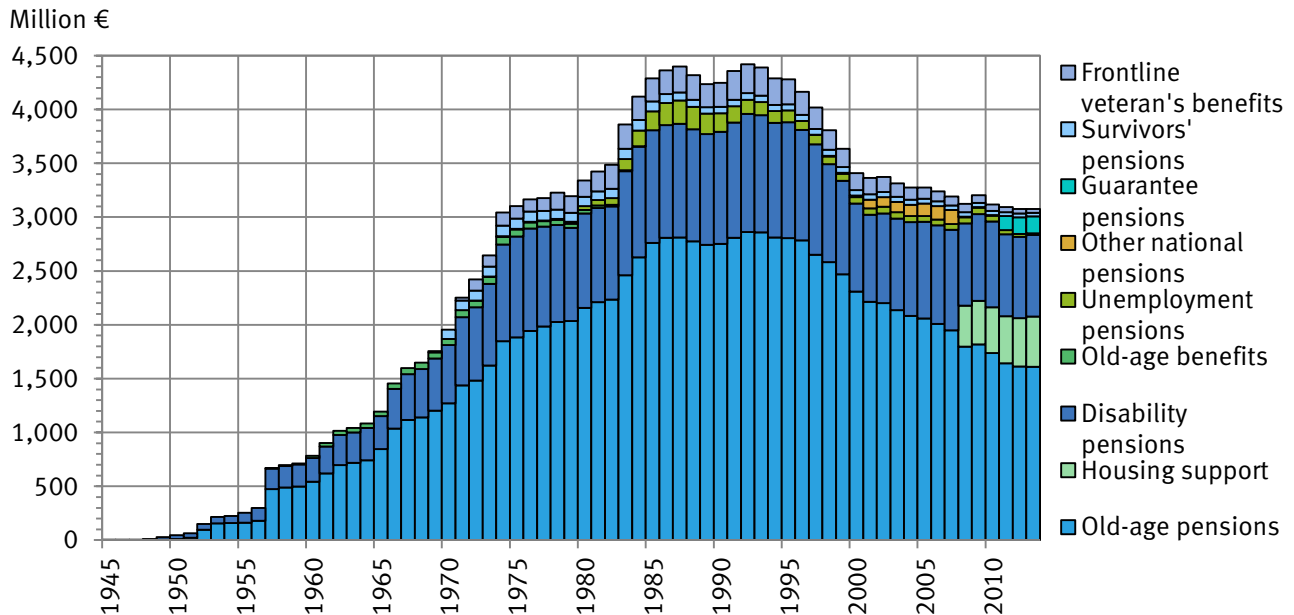
The right to spouse's pension under the national pension scheme is established, when the surviving spouse and the deceased person have or have had a child together and were married before the deceased person turned 65. If they do not have a child together, the criteria for granting spouse's pension are stricter. The pension is paid as an initial pension in the amount of €328 per month, if the spouse has died less than six months earlier. After this, a continuing pension may be granted in the amount of €103 per month and the full supplement for that for a single-dwelling person is €534 per month. A surviving spouse eligible for the basic amount is one with whom the deceased had children. An income deduction is applied to the supplement. Children under the age of 18 are entitled to orphan's pension. Orphan's pension may also be granted to children between 18 and 20, if they are students. The basic amount is €60 per month and the means-tested supplement is €91 per month.

Survivors' pension based on the earnings-related pension scheme is calculated from the pension received by the deceased at the time of death. If the deceased person was not retired, the amount of survivors' pension is calculated from the pension he or she would have received, if they were rendered disabled at the time of death. The maximum amount of survivors' pensions granted to the surviving spouse and children is that of the full earnings-related pension of the deceased. If there are no more than one child, the spouse's pension is half of the deceased person's pension. The surviving spouse's personal or calculated earnings-related pension reduces the amount of spouse's pension.

The development of pensions

The development of pensions paid from the national pension scheme is presented in Figure 3.

Figure 3. Development of pensions paid from the national pension scheme in 1945–2013 adjusted to the price level of 2013.



Source: Kela.

3.1.3 Benefits for families with children

The examined benefits available to families with children are parental allowances, child benefit, benefits for child care, and child maintenance allowance. Taking care of small children is supported with child home care allowance, private day care allowance and partial care allowance. Child maintenance allowance secures the maintenance of a child, who does not receive child support from the liable parent.

Parental allowances

Parents are entitled to maternity, paternity and parental allowances. Assistance may also be granted for expenses resulting from international adoption.

Parental allowances (Health insurance act, Chapter 9 [Sairausvakuutuslaki 1224/2004]) are paid on the basis of pregnancy and child birth as well as taking care of a child. If the parent's employer pro-

vides the parent with paid parental leave, the allowance is paid to the employer. Parental allowances are taxable income.

The amount of the allowance depends on the wages of the recipient. For those with low and average income, the amount of the allowance is approximately 2/3 of the wages. Persons with no income receive a minimum allowance, which is €24.02 per day.

Parental allowances comprise maternity allowance and special maternity allowance paid to the mother (Health insurance act, Chapter 9 Sections 2–5 [Sairausvakuutuslaki 1224/2004]), paternity allowance paid to the father (Health insurance act, Chapter 9 Sections 6–7 [Sairausvakuutuslaki 1224/2004]) and parental allowance paid to either parent (Health insurance act, Chapter 9 section 8 [Sairausvakuutuslaki 1224/2004]). Receiving any parental allowance requires residing in Finland for 180 days immediately before the estimated delivery due date.

Maternity allowance is paid for 105 weekdays at the beginning of the maternity leave. The father is entitled to 54 days of paternity allowance altogether. Paternity allowance days must be used before the child turns two or the adopted child has been in the father's custody for two years. A maximum number of 18 paternity allowance days can be used at the same time when the mother receives either maternity or parental allowance for the same child. The remaining paternity allowance days must be used after the maternity and parental allowance periods.

Parental allowance is paid for 158 days for the parent who stays at home taking care of the child. Parental allowance for the same child cannot usually be paid simultaneously to both parents, unlike partial parental allowance.

Partial parental allowance (Act on sickness insurance, Chapter 9 Section 9 [Sairausvakuutuslaki 1224/2004]) is paid to both parents simultaneously, if they have both agreed with their respective employers upon working part-time for a minimum of two months during the parental allowance period. The right to partial parental allowance does apply in situations where only one parent works part-time.

Child benefit

Child benefit is paid for children residing in Finland (Child benefit act [Lapsilisälaki 1992/796]) until their 17th birthday. The amount paid per child rises for each child until the fifth child in the family. Subsequent children receive the same amount of money as the fifth child. Due to a reform in

the child benefit act, the amount of child benefit was cut by 8.1% from the beginning of 2015. There was, however, no change in the amount of the single-parent supplement. The amount of child benefit in 2015 is: €95.75 for the first child, €105.80 for the second child, €135.01 for the third child, €154.64 for the fourth child and €174.27 for each subsequent child. The amount of the single-parent supplement remained €48.55 for each child entitled to child benefit.

There are an estimated 557,900 families receiving child benefit in 2015. At the end of 2013 there were 246,476 one-child families (44.3%), 211,711 two-child families (38.0%), 71,178 three-child families (12.8%), 17,391 four-child families (3.1%) and 9,883 families with five or more children (1.8%).

In 2013, total expenditure on all child benefits was €1,492.8 million.

Childcare benefits

If a family has at least one child under the age of three, who is not in municipal day care, the family may apply for child homecare allowance (Act on child home care and private care [Laki lasten koti-hoidon ja yksityisen hoidon tuesta 1128/1996]). In this case child home care allowance can also be paid for the family's children over the age of three. Adoptive parents may, however, receive the child homecare allowance for a child over the age of three, up until two years since the beginning of the parental allowance period. The person taking care of the child can be either one of the parents, another caretaker (e.g., a relative) or a private day care provider.

Child home care allowance consists of a fixed care allowance and a care supplement, which is affected by the family's income. Additionally, some municipalities (almost one in three in 2014) pay a municipal child home care supplement. The family's income does not impact the part of the fixed care allowance. Care allowance is paid separately for each child entitled to it. The amount of care allowance for one child under three years of age is €342.53 per month. For the child's siblings under the age of three, the allowance is €102.55 and for siblings over three years of age but under the school age, the allowance is €65.89 per month. The care supplement, on the other hand, is influenced by the family's size and income. The maximum amount of the care supplement is €183.31 per month and it is paid for one child only. In 2014, the average amount of the municipal child home care supplement was €148 per child and it was awarded in approximately one third of the municipalities. The municipal home care supplement is paid especially in the largest cities. (Lahtinen and Selkee 2014.)

The father, mother or another caretaker, whose approximate weekly employment is less than 30 hours, may receive flexible care allowance (Act on child home care and private care, Section 13a, [Laki lasten kotihoidon ja yksityisen hoidon tuesta 1128/1996]). Flexible care allowance is divided into two pay rates depending on the parent's working time: the amount is €244.18 per month for parents who work three days a week and €162.78 per month for parents who work four days a week. The family's income does not affect the amount of flexible care allowance.

The parents or other custodians of school-aged children may receive partial care allowance (Act on child home care and private care, Section 13 [Laki lasten kotihoidon ja yksityisen hoidon tuesta 1128/1996]) until the end of the child's second school year. The amount of partial care allowance is €98.09 per month.

Private day care allowance may be paid for children under the school age, who attend private day care. Private day care allowance consists of care allowance, care supplement and a possible municipal care supplement, similarly to child home care allowance. In 2014, private care allowance was €174.38 per month per child. The maximum amount of care supplement, which is affected by the family's size and income, is €146.64 per month, and it is paid for all the family's children attending private day care. The allowance is paid to the day care provider.

In 2013, the total expenditure on all child care benefits was €467.1 million, of which €370.2 million were statutory benefits excluding municipal child care allowances. On average, child care benefits were paid for approximately 125,000 children per month.

Child maintenance allowance

Parents are required by law (Act on child support [Laki lapsen elatuksesta 704/1975]) to provide for their underage children. If the parents do not cohabit, the parent living with the child is entitled to receive child support. The parents may agree on child support and its amount in either a written free-form agreement or an agreement confirmed by municipal social welfare authorities. If the parents cannot reach an agreement on child support, a court of law will confirm its amount.

A parent may be eligible for child maintenance allowance, if:

- the liable parent has not paid the confirmed child support
- the confirmed amount of child support is smaller than the child maintenance allowance or the liable parent is not required, on financial basis, to pay child support at all

- the child has been adopted by a single parent
- the paternity of a child born out of wedlock has not been confirmed (Act on child support, [Elatustukilaki 580/2008]).

The full amount of child maintenance allowance is €155.17 per month. If the liable parent has neglected to pay child support, it will be collected afterwards. The maintenance debt expires in five years. The expiration period cannot be suspended.

In 2013, total expenditure on child maintenance allowance was €185.6 million for approximately 100,000 children. Of the total sum, €86.5 million were so-called reimbursable child maintenance allowances, which generate the right of recourse. Child maintenance allowances were collected from liable parents in the sum of €65.3 million in 2013. In addition, €8.4 million in child maintenance allowances received from liable parents were rendered to children during the year.

3.1.4 Sickness allowance

Sickness allowance (Health insurance act, Chapter 8 [Sairausvakuutuslaki 1224/2004]) is paid as compensation for a loss of earnings due to sickness. If an employer offers employees paid sick leave, the allowance is paid to the employer. Sickness allowances are taxable income.

The amount of the allowance depends on the amount of taxed earnings. For those with low and average income, the amount of the allowance is approximately 2/3 of wages. Persons with no income receive a minimum allowance, which is €24.02 per day.

To qualify for sickness allowance, persons must be 16–67 years of age and reside permanently in Finland and they must be, on medical grounds, unfit for their regular work or other closely related work. Sickness allowance is paid after a waiting period consisting of the day of onset of work incapacity and the following nine working days. The allowance is paid for working days, including Saturdays.

Those who do not meet the working requirement of the sickness allowance (Health insurance act, Chapter 8 Section 3 [Sairausvakuutuslaki 1224/2004]) are able to receive the allowance only after their incapacity to work has lasted for 55 calendar days. The working requirement means that a person must have been employed during the three months immediately before becoming unfit for work. Working for even one day completes the requirement. Persons with no or low income are eligible for a minimum sickness allowance after 55 calendar days. Before that they receive a smaller minimum allowance, which is based on their earnings.

The allowance is paid for a maximum period of 300 working days, or approximately one year. After this period a disability pension may be granted. To support employees aged 16–67 in their return to work or in remaining employed, partial sickness allowance (Health insurance act, Chapter 8 Section 11 [Sairausvakuutuslaki 1224/2004]) may be paid. The amount of partial sickness allowance is half of the full sickness allowance.

In 2013, total expenditure on sickness insurance allowances was €1,954.7 million. Sickness allowances made up €833.2 million of the sum and partial sickness allowances €16.7 million, YEL sickness allowances €6.3 million and parental allowances €1,104.5 million.

3.1.5 Student financial aid

The purpose of financial aid for students (Student financial aid act [Opintotukilaki 65/1994]) is to provide financial security during studies. Student financial aid comprises study grant, housing supplement and a government guarantee for student loans. General requirements of being eligible for student financial aid are: admission into a post-comprehensive school, progress in studies and need for financial aid.

Study grant (Student financial aid act, Section 10 [Opintotukilaki 65/1994]) may be awarded for studies from upper secondary and vocational schools to higher education. The amount of study grant is based on the applicant's age, form of housing, marital status, level of school and the starting date of the studies. The student's own income, and in the case of younger students, also their parents' income have an effect on the amount of study grant. The maximum amount of monthly study grant is €250.28 in secondary education and for those having started their higher education on August 1, 2014 or thereafter, €336.76. The government guarantee for student loans is €400 per month on all levels of education.

In higher education, the maximum eligibility period for financial aid is determined by the starting date of the degree studies and the student's earlier studies towards a higher education degree. Financial aid for higher education is available for 64 months altogether. For one Master's level degree, financial aid may be provided for a maximum period of 50–59 months depending on how broad the degree is. For studies in other than higher education, student financial aid is granted for the period corresponding to the extent of the course of study.

A requirement for receiving any type of student financial aid is progress in studies. If a student does not have enough study credits, he or she will receive a request of information. A student may con-

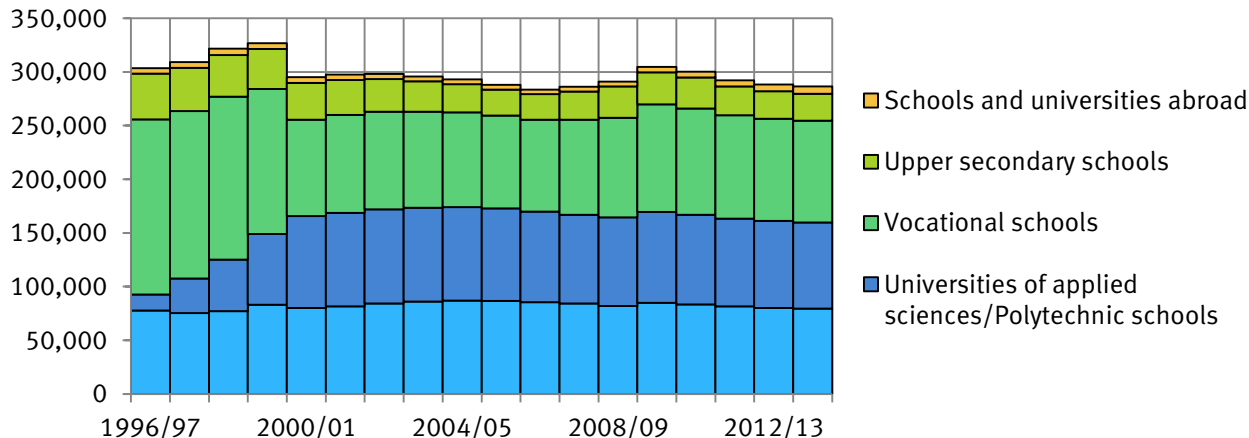
tinue to receive student financial aid, if the delay in studies is deemed to be temporary in nature and caused by an acceptable reason. Acceptable reasons are, for instance, falling ill, the illness of a family member or an otherwise difficult life situation.

The euro amount of the study grant and the income limit of interest assistance are adjusted by the national pension index. The income limits affecting the study grant or the amount of the housing supplement or the maximum acceptable rent are not protected by index.

In 2013, total expenditure on student financial aid was €807 million, of which €468 million were paid in study grants and €259 million in housing supplements. Due to the government guarantee of student loans, €20 million was paid to banks as loan guarantees. Interest assistance for student loans, due to low income, was paid in the amount of €0.3 million. Meal subsidies for students in higher education were paid in the amount of €30 million.

Figure 4 shows the development of the amount of student financial aid recipients by school level from 1996 onwards.

Figure 4. Student financial aid recipients by level of school during school years 1996/97–2012/13.



Source: Kela.

3.1.6 Housing benefits

Financial aid provided for housing costs is general housing allowance, housing allowance for pensioners or housing supplement as part of financial aid for students. Housing costs are also covered with the housing assistance of conscript's allowance, as compensation of expenses during labour market training and with last-resort social assistance.

General housing allowance

General housing allowance (Government proposal 52/2014) may be paid to a low-income household living in a rental, right-of-occupancy, partial ownership or owner-occupied dwelling. The household must not be eligible for any other monetary support intended to reduce the cost of housing. A household comprises persons permanently living in the same residence.

How the amount of general housing allowance is determined

Before the overall reform that entered into force on January 1, 2015, determining the amount of general housing allowance was a complex process involving the number of people in the household, the floor area of the dwelling in square metres, the year on which it was built and renovated and the form of heating used in the dwelling. The overall reform of general housing allowance has simplified the process with which the amount of the allowance is determined. The process is now more similar to how pensioners' housing allowance is determined: the size of the household and maximum housing costs of the municipality affect the amount, as does a linear adjustment of income.

General housing allowance is 80 per cent of the difference between acceptable housing costs and the basic deductible. Acceptable housing costs are housing costs taken into consideration in determining the amount of the general housing allowance up to a separately defined maximum.

The basic deductible of housing allowance consists of two parts. First, due to the percentage of the benefit, a household must always be responsible for 20 per cent of reasonable housing costs. This is called the relative deductible. Second, the basic deductible is determined by means-testing, i.e., on the basis of the combined permanent monthly income of the members of a household.

The basic deductible is 40 per cent of all income exceeding the income limit that qualifies for a full housing allowance. The income limit depends on the number of adults and children in the household: for a single dweller, the basic deductible is applied, when the monthly income exceeds €730. For a single parent of one the respective limit is €953. Each adult of a household raises the limit by 100 euros, and each child by 223 euros. The parameters of the formula used to define the income limit are adjusted with the national pension index.

Housing costs considered in general housing allowance

In rental dwellings and owner-occupied dwellings in housing cooperatives, housing costs taken into account are rent and maintenance charges and the separately paid heating and water charges. It is not necessary to provide information on the actual costs of water and heating, as they are defined with average costs determined by the size of the household.

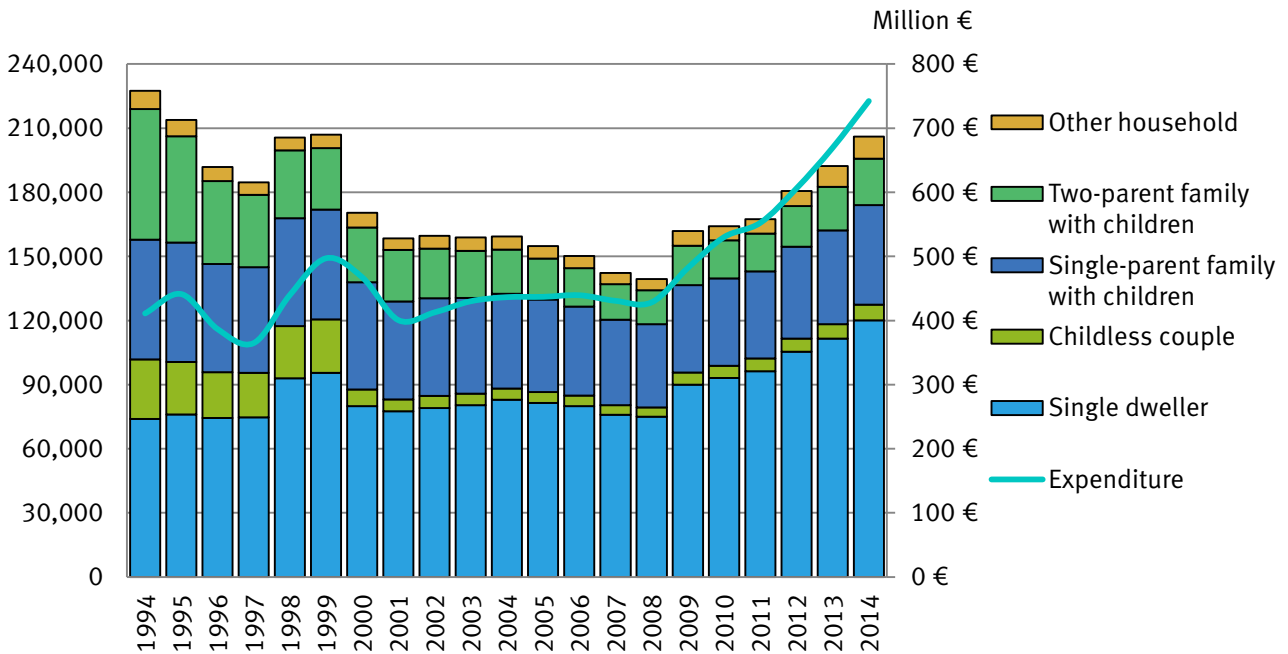
In other owner-occupied housing, maintenance costs taken into consideration are maintenance costs defined on the basis of the location of the dwelling and the size of the household. Additionally, in all owner-occupied dwellings 73 per cent of the annual interest payable on personal loans taken out to finance the purchase of the dwelling is considered housing costs. Ground rent and real estate tax are not considered acceptable housing costs.

Maximum housing costs in general housing allowance

The maximum housing costs taken into account in general housing allowance are defined on the basis of the size of the household and the location of the dwelling. In rental housing, the maximum housing costs of a single-dweller household are €362–508 per month, depending on location. For two-person households, the respective amount is €527–735.

In owner-occupied housing, the maximum housing costs are the same as in rental housing, but the costs are divided into maintenance costs and financing costs. The maximum maintenance costs are 30 per cent of the maximum housing costs of rental housing (in a single-person household €109–152 per month). The remaining 70 per cent may be taken into account as financing costs (in a single-person household €253–356 per month). If the maintenance costs of an owner-occupied dwelling exceed the maximum amount of acceptable maintenance costs, 73 per cent of the exceeding amount are considered financing costs.

In 2013, total expenditure on general housing allowance was €669.5 million. At the end of the year, the allowance was paid to 192,274 households comprising 335,490 persons. The most common type of household to receive general housing allowance is a single-person household, as can be seen in Figure 5 (p. 32).

Figure 5. Recipients of general housing allowance by household type in 1994–2014.

Source: Kela.

Housing allowance for pensioners

Eligible for the housing allowance for pensioners (Act on housing allowance for pensioners [Laki eläkkeensaajan asumistuesta 571/2007]) are all those over the age of 16 residing in Finland, who receive certain pensions and benefits (generally old-age pension, disability pension or guarantee pension) and who have housing costs that qualify for the benefit.

Amount of housing allowance for pensioners

The amount of housing allowance for pensioners is 85 per cent of the difference of acceptable housing costs, the basic deductible and an additional deductible. The basic deductible of the housing allowance for pensioners is a set amount (approximately €51.50 per month) that is not affected by income. It is applied to all housing costs of all allowance recipients. The additional deductible is earnings-related in that 40 per cent of the share exceeding a certain income limit is applied as an additional deductible. The additional deductible is determined only by the marital status of the recipient and is approximately €732–1176 per month. The amounts of the deductibles are adjusted by the national pension index.

Acceptable housing costs in housing allowance for pensioners are generally the same as in general housing allowance. The main exceptions to this are the interests of personal housing loans, which are accepted fully as housing costs. Also, ground rent is an accepted housing cost, whereas it is not considered at all in general housing allowance.

Acceptable maximum housing costs

Each year, the Finnish government issues a decree determining the euro amounts, which are the maximum amounts of housing costs to be accepted when defining the amount of the allowance. Depending on the location of the dwelling, these amounts are approximately €535–663 per month.

In 2013, the total expenditure on housing allowance for pensioners was €468 million. At the end of the year, there were 187,675 recipients of the allowance.

Housing supplement for students

Housing supplement for students (Student financial aid act, section 14 [Opintotukilaki 65/1994]) may be paid to all childless students living in a rental or sub-rental dwelling, from where they are able to study full time. Housing supplement is not granted to students entitled to dormitory housing or to students living in an owner-occupied dwelling.

The maximum amount of housing supplement is 80 per cent of monthly housing costs. Housing costs exceeding €252 are not considered, which means that the maximum amount is €201.60 per month.

Unlike in other forms of financial aid for housing, students studying or residing abroad are entitled to housing supplement under the same conditions as those studying in Finland. The amount of housing supplement paid abroad is €210 per month, with the exception of certain countries with low rental costs.

It is possible for students to only receive the housing supplement of student financial aid. Such months are, however, considered benefit months as regards progress in studies and the maximum period of eligibility for student financial aid.

The amount of the housing supplement for students is not adjusted by index. In 2013, the housing supplement was paid to 220,000 students in the total amount of €259.2 million.

3.1.7 Social assistance

Social assistance is a last-resort, means-tested form of income security. Social assistance is defined in the act on social assistance (Laki toimeentulotuesta 1412/1997) as an income transfer paid to households when their income or other social security benefits are insufficient to cover the household's essential expenses. Social assistance may also be granted to support independent living and to prevent social exclusion. Before becoming eligible for social assistance applicants are required to apply for all primary benefits they are entitled to. Social assistance is applied for and granted in municipal social services offices. Municipalities carry out the statute by applying a manual published by the Ministry of Social Affairs and Health. In accordance with the government's structural policy decision of March 23, 2014, the calculation and payment of basic social assistance will be transferred to the Social Insurance Institution as from January 2017.

Social assistance is a benefit paid to households, in which all the household's income and expenses are taken into consideration. In its simplest form, the amount of basic social assistance is calculated by adding together the basic amounts of all household members, housing costs and health care expenses and subtracting from this sum the household's net income. If the household's net income is less than the social assistance calculation, the difference is paid out as social assistance. Basically all household members' disposable incomes are seen as income in the means-testing. Applicants are required to apply for all primary benefits they may be entitled to. However, disability and care benefits, maternity grant, reimbursements of expenses and activity supplements of unemployment benefits are not considered income. Also, 20 per cent of earnings are considered privileged income and they do not affect the amount of social assistance. The maximum amount of privileged income is €150 per month. As from the beginning of 2015, the privileged income of social assistance is considered separately for each wage earner. Additionally, all assets and property that can be easily liquidated are taken into account, excluding permanent housing, equipment for working and studying and other similar assets listed in Section 12 of the act on social assistance (Laki toimeentulotuesta 1412/1997). In 2013 the average amount of monthly social assistance was €487 per household.

The amount of basic social assistance is defined in the act on social assistance (Laki toimeentulotuesta 1412/1997). The amount is the same all over the country and it is adjusted by the national pension index. Basic social assistance is intended to be set at an amount needed to cover the recipient's everyday expenses (food, clothing, minor health care expenses, personal hygiene, public transport, subscription to media, telephone expenses and expenses from hobbies and recreation). Thus, applicants are not required to report how they spend basic social assistance. In 2015 the amount of monthly basic social assistance is €486 for single recipients, €534 for single parents, €413 for married or cohabiting recipients, and €354 for adults living with their parents. The basic month-

ly amounts for children in the household are €257–306 for children under 10 years of age and €291–340 for children aged 10–17. The amount is based on the number of children in the household.

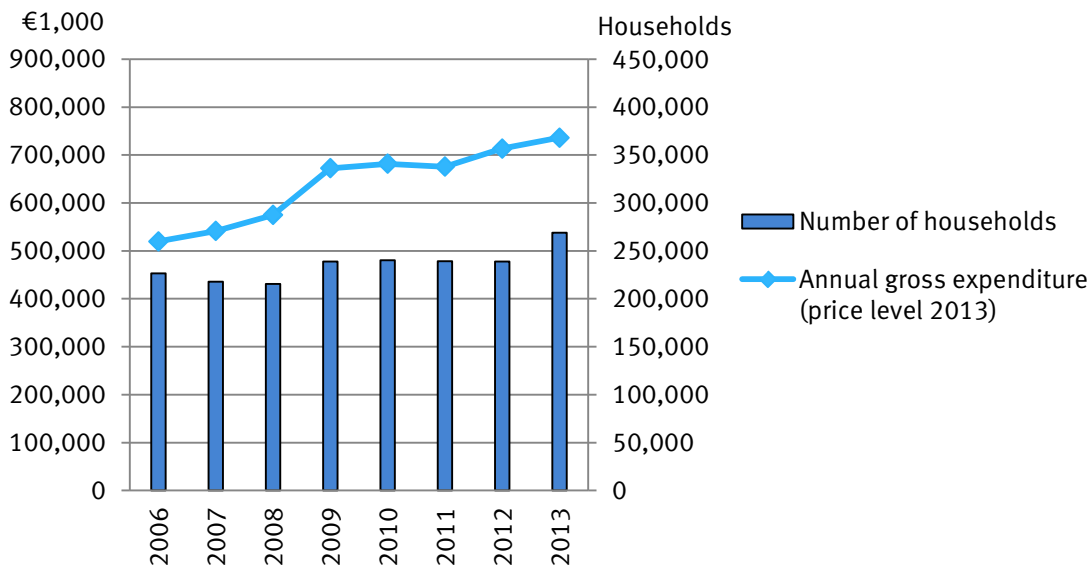
Housing costs are most often taken into account in their actual amount in full up to the general rent level of the municipality. Maximum housing costs covered as social assistance are usually defined in municipalities' own guidelines. Housing costs that are considered excessive are covered in full only for a transition period (for instance, three to four months), after which housing costs are covered up to the amount defined by the municipality. Costs covered as health care expenses are usually costs resulting from a doctor's orders in public health care. Health care expenses covered are, for instance, medicine expenses, fees for outpatient and inpatient care, dental care and the costs of glasses as well as other necessary personal medical and health care expenses.

Basic social assistance covers almost 90 per cent of all social assistance expenditure, but municipalities may grant additional supplementary and preventive social assistance. Supplementary social assistance covers special expenses, such as child day care costs, additional housing costs (for instance, moving expenses) and costs resulting from special needs and circumstances. The grounds of preventive social assistance are set by municipalities. The purpose of preventive social assistance is to promote the recipient households' independent living and to prevent social exclusion. Preventive social assistance may be granted to, for instance, alleviate difficulties arising from over-indebtedness or a sudden decline in the household's financial situation.

The amount of basic social assistance may be reduced by 20 per cent if the need for social assistance is due to the person declining employment or an employment-promoting measure without just cause. Also, the basic social assistance of recipients, who are under 25 years of age and do not have vocational training, may be reduced, if they have discontinued or declined training and have thus become ineligible for the labour market subsidy. Basic social assistance may be reduced by 40 per cent, if the recipient repeatedly declines offered employment or employment-promoting measures. The decision to reduce basic social assistance can be made for two months at a time. When such a decision is made, a social worker must make a plan with the recipient to promote independent living. Reducing basic social assistance has been used fairly seldom. (Karjalainen et al. 2013.)

In 2013, total expenditure on social assistance was €736 million (Figure 6, p. 36). There were 246,000 recipient households of the benefit. There has been an eight per cent increase in the number of recipient household since 2006. During the same period there was a 41 per cent increase in real expenditure on social assistance. The faster growth of expenditure than recipient number can be explained by increases in housing costs covered and the fact that the periods of receiving the benefit have become longer (Kauppinen et al. 2013).

Figure 6. Real expenditure on social assistance (in the price level of 2013) and amounts of recipient households in 2006–2013.



Source: Social assistance statistics 2013, THL.

3.2 Central legislative reforms of basic social security in 2011–2015

In this chapter we will go through the most central legislative reforms of 2011–2015 that have affected basic social security. Reforms in earnings-related social security will not be introduced. Taxation will only be covered as regards reforms that have affected the taxation of basic social security benefits and that were public at the time of drafting this report.

2011

- Child benefits, child care allowances and minimum sickness and parental allowances were linked to the national pension index (1144/2010; 1145/2010; 1142/2010).
- Reducing the basic social assistance of those aged 18–24 who refused vocational training became possible (1172/2010).
- Guarantee pension entered into force on 1 March, 2011 (703/2010).

2012

- The level of basic unemployment security was raised by approximately €100 per month. At the same time the income limit of earnings-related unemployment security was raised with approximately €600 per month to just under €3,300 (1256/2011).
- The level of basic social assistance was increased by 6 per cent and the single-parent supplement by 10 per cent (1184/2011).

- The income limit of general housing allowance was raised respectively to the increase in unemployment security with €120 (22%) per month (Government decree 1166/2011).

2013

- A spouse's income no longer affects the amount of labour market subsidy. Labour market subsidy can only be reduced due to recipients' own income and, in some cases, their parents' income (1005/2012).
- An employment supplement trial was introduced in 60 municipalities. In the trial the labour market subsidy is paid to long-term unemployed persons as an employment subsidy for the first month of employment, if they accept employment for at least three months (1005/2012).
- Index adjustments of child benefits were frozen for the period of 2013–2015 (713/2012).
- Activity supplements of unemployment security became regarded as exempted income in social assistance. Social assistance is no longer affected by the supplementary part of the unemployment allowance or the earnings-related supplement, labour market transition supplement, earnings-related labour market transition assistance or the labour market subsidy supplement (1006/2012).
- The option of early old-age retirement at the age of 62 was removed from persons born in 1952 or thereafter under both the earnings-related pension scheme and the national pension scheme (794–802/2012; 803/2012; 804/2012).
- The eligibility age for part-time pension was raised to 61 for those born in or after 1954 (794–802/2012).
- The basic reimbursement for medicines was lowered to 35 per cent (from the earlier 42%) and the lower special reimbursement was lowered to 65 per cent (from the earlier 72%) (622/2012).
- The annual threshold for out-of-pocket medicine expenses was lowered to €670 (from the earlier €700.62) (622/2012).
- The copayment for travel costs reimbursed under the national health insurance was raised to €14.25 per trip (from the earlier €9.25) (622/2012).

2014

- The personal liability period in basic unemployment allowance was shortened to five days (from the earlier seven days) (1049/2013, Chapter 5 Section 13).
- The work requirement for income earners was shortened to 26 weeks (from the earlier 34 weeks) (1049/2013, Chapter 5 Section 3).

- An exempt amount of €300 for earnings per month was reintroduced into adjusted unemployment allowances (1049/2013, Chapter 4 Section 5). A similar exempt amount of earnings was applied to unemployment benefits in 1996, in the amount of FIM750 per month.
- The maximum period of earnings-related unemployment security was shortened by 100 days for job-seekers whose work history is short (under three years) or who decline activation measures (1049/2013).
- Study grant was linked to the national pension index (1243/2013, Section 11 Subsection 6).
- The maximum period of financial aid for students was shortened to 64 months for new students in higher education (from the earlier 70 months). However, at the same time the monthly study grant was raised by approximately €30. Thus, the maximum amount of student allowance paid within the maximum period of eligibility remained the same (1243/2013, Sections 7 and 11).
- The student loan reimbursement for new students in higher education was introduced. Students in higher education, who graduate within the target time, receive compensation for their student loans from the government for up to €6,200 (1243/2013, Sections 15 b–15 g).
- The government guarantee for student loans was raised to €400 per benefit month (from the earlier €300) (1243/2013, Section 16).
- The act for promoting re-entry into employment for those on disability pension was continued for 2014–2016 (979/2013; 1051/2014).
- The maximum period of partial sickness allowance was lengthened to 120 weekdays (from the earlier 72 weekdays) (972/2013).
- The flexible care allowance for parents of children under 3 years of age was introduced (replacing partial care allowance) (975/2013).
- The annual threshold for out-of-pocket medicine expenses was lowered to €610 (974/2013).
- Grounds for granting occupational rehabilitation became less strict and the threat of disability was no longer a prerequisite (973/2013).
- The act on cross-border health care entered into force. Costs of treatment received in another EU/EEA country or in Switzerland became reimbursable afterwards in Finland at the rate that would be applied for costs for treatment obtained in Finland (1203/2013).

2015

- Increases in the national pension index and the earnings-related pension index were limited to 0.4 percent. The national pension index was increased by seven points to 1,637 and the earnings-related pension index was increased by ten points to 2,519 (867/2014; 869/2014).
- The level of basic social assistance was raised by 0.8 per cent to compensate for the freezing of the national pension index (868/2014).
- The euro amounts of child benefits were cut approximately 8 per cent (1111/2014).

- The new act on housing allowances entered into force (938/2014).
- The age limit of 65 was removed from the housing allowance for pensioners, making recipients of old-age or guarantee pensions under the age of 65 eligible for housing allowance for pensioners. On the other hand, those aged 65 or over who do not receive pension, now became eligible for general housing allowance (939/2014).
- Families with children were no longer able to choose between general housing allowance and housing allowance for pensioners. From now on, families with children are eligible for general housing allowance (938–939/2014).
- The work requirement for entrepreneurs was shortened to 15 months (from the earlier 18 months) during the previous 48 months (1049/2013).
- The copayment for travel costs reimbursed from the national health insurance was raised to €16 per trip, if the trip is arranged through the dispatch service. The copayment for all other forms of travel was raised to €32 per trip (1256/2014).
- As from 1 September, an exemption of personal earnings in the amount of €300 per month was introduced into general housing allowance (938/2014, Sections 13 and 54).
- The exempted income of social assistance became income earner specific (940/2014).

3.3 Development of benefit levels and index-linking

The development of the real value of basic social security benefits is significantly impacted by their index protection. From an international perspective, in Finland benefits are broadly protected by indices. Child benefits, minimum sickness allowances and child home care allowance were linked to the national pension index in 2011 and, as the last of the benefits analysed in this report formerly without index protection, student allowance was linked in 2014. After this, practically all basic social security benefits are linked to the national pension index, with the exception of housing supplement for students. Thanks to index protection, the purchasing power of benefits maintains the level of their time of legislation, since benefits are adjusted each January by the national pension index, which reflects the price level of the previous year.

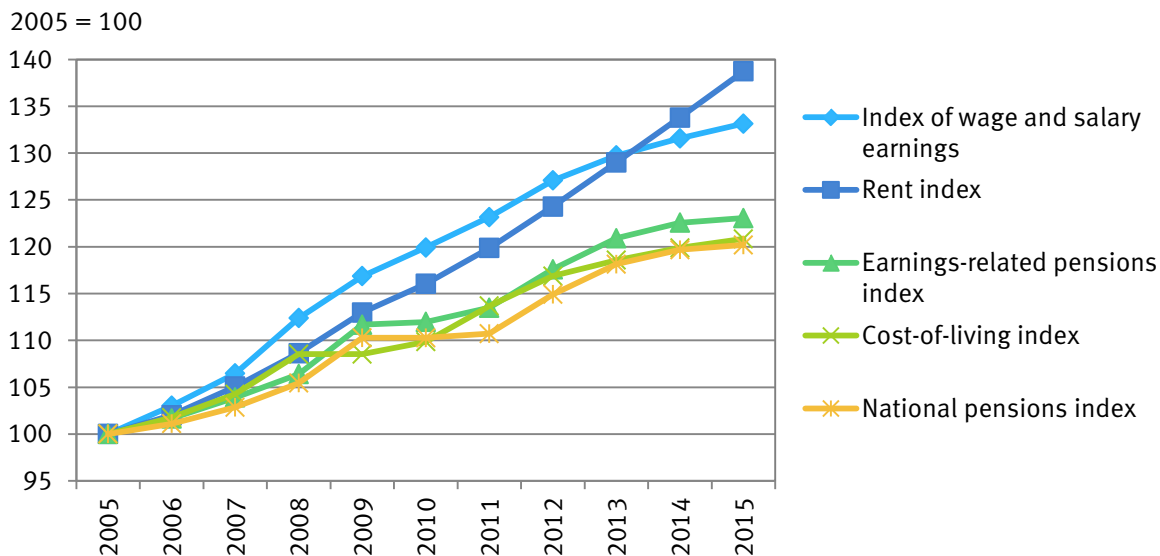
The national pension index follows the cost-of-living index, calculated by Statistics Finland on the basis of prices of essential goods. Most benefits linked to the national pension index are adjusted at the beginning of the year by an index-point figure confirmed by the Social Insurance Institution. The purpose of this is to compensate for the deterioration of the benefits' purchasing power caused by inflation. Also, the client fees in social and health care are adjusted every other year, as required by law, according to changes in the national pension index.

All earnings-related pensions in payment are adjusted annually with the earnings-related pension index, where the share of wage-earners' income level is 20 per cent and the share of change in price level is 80 per cent.

From the beginning of 2015, maximum housing costs accepted in general housing allowance were linked to the annual rent index confirmed by Statistics Finland. The index is applied to the entire country and to all rental dwellings. (Government proposal 52/2014.) Additionally, the income limits of general housing allowance are adjusted by the national pension index as from 2015. Housing allowance for pensioners has been broadly index-protected for longer. The housing supplement for students is not index protected. Housing costs covered by social assistance are based on guidelines of municipalities and they are raised by municipalities on irregular intervals.

The index-linkage of benefits has been changed often during the past decades and increases have been left (partially) undone, as was described in the evaluation report on the adequacy of basic social security of 2011. In 2010 the national pension index was frozen, since otherwise it should have been decreased by 0.8% due to the deflation of prices in 2009. This was, however, taken into account in the national pension index of 2011, which was only increased by 0.4 per cent, even though consumer prices increased by 1.2 per cent in the previous year. Child benefits are not adjusted by index in 2013–2015, in accordance with the decision of the government budget negotiations of 2012. According to the decision of the government budget negotiations, benefits linked to the national pension index and the earnings-related pension index will primarily be adjusted by 0.4 per cent. The forecast for inflation in 2014, as reported in the Finnish stability programme of the Ministry of Finance (Suomen vakausohjelma 2014), is 1.5 per cent.

The development of the central indices since 2005 is shown in Figure 7 (p. 41). The index of wage and salary earnings has risen by approximately 33 per cent by 2014, the earnings-related pension index has risen by 23 per cent and the national pension index by 20 per cent. The rent index follows the index of wage and salary earnings, which means that it has also risen more rapidly than the general cost-of-living index or the national pension index.

Figure 7. Development of central indices in 2005–2015.

Source: Statistics Finland / own calculations.

The levels of central basic social security benefits and basic social assistance and their real development in 2005–2015 are shown in Figure 8 (p. 42)¹. With the exception of child home care allowance and child benefits, the levels analysed are those of benefits paid to childless, single recipients living alone. The highest basic social security benefit is guarantee pension, which is approximately €747 per month. Basic unemployment allowance is clearly smaller, €705 per month. That is also the amount of the labour market subsidy. The third highest benefit is the full continuing spouse's pension (the basic and supplementary pensions), €637 per month. Regardless of the level increase of 2009, minimum sickness allowance remains significantly smaller than basic unemployment allowance, €600. Similarly, child home care allowance paid for one child with the full care supplement (€526 per month) and basic social assistance (€486 per month) are significantly smaller than basic unemployment allowance or guarantee and spouse's pensions. By far, the smallest benefit is study grant, which is €337 per month even for new students. It needs to, however, be noted that in addition to study grant, students are entitled to a government guaranteed student loan, the amount of which is €400 per month in 2015. After the cuts implemented as from 2015, child benefit for the first child is €96.

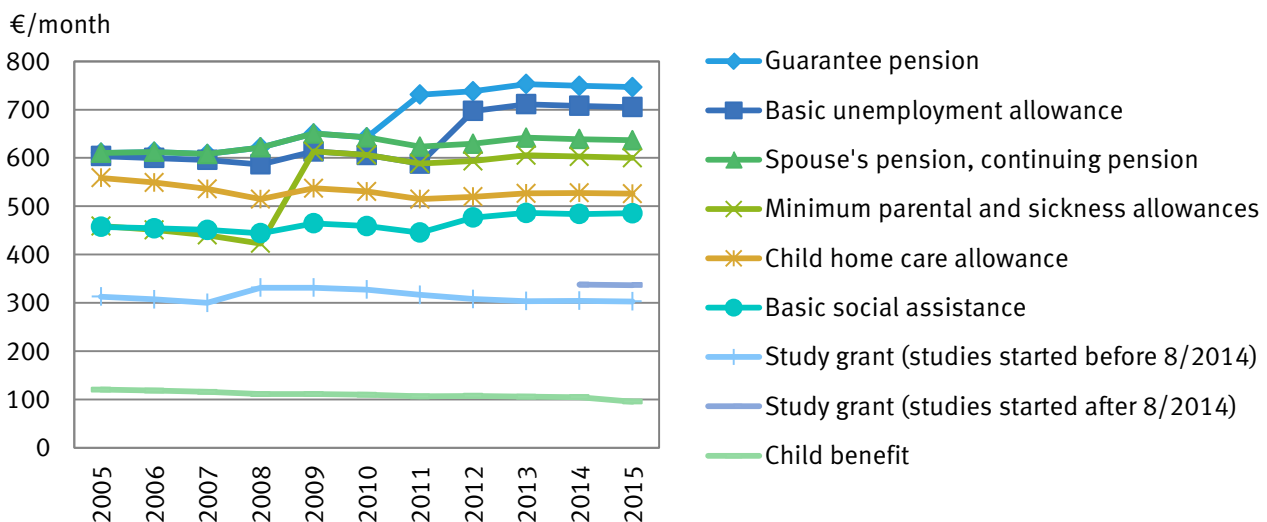
When comparing social insurance based benefits with basic social assistance, it needs to be remembered that social insurance benefits are taxable income, but due to pension and student deductions, recipients of only national pensions or financial aid for students do not pay income taxes. Social assistance, however, is not taxable income. After taxes, guarantee pension is the only social insur-

¹ Before 2008, the municipal cost-of-living class 1 has been applied to national pension and basic social assistance.

ance based benefit to have a clearly higher level than basic unemployment allowance or other basic social security benefits. The net amounts of minimum parental and sickness allowances as well as child home care allowance and care supplement are on the same level with basic social assistance.

The most significant level increases during the period of 2011–2015 were the €100 increase in minimum pensions, which was implemented along with the introduction of guarantee pension, and a €100 level increase in unemployment allowances along with the increase in income limits of housing allowance and a six per cent level increase in basic social assistance. An 11 per cent level increase was made to the study grant of students in higher education who started their studies after August 2014. In 2015, the level of basic social assistance was raised by 1.1 per cent to compensate for the cuts of index adjustments.

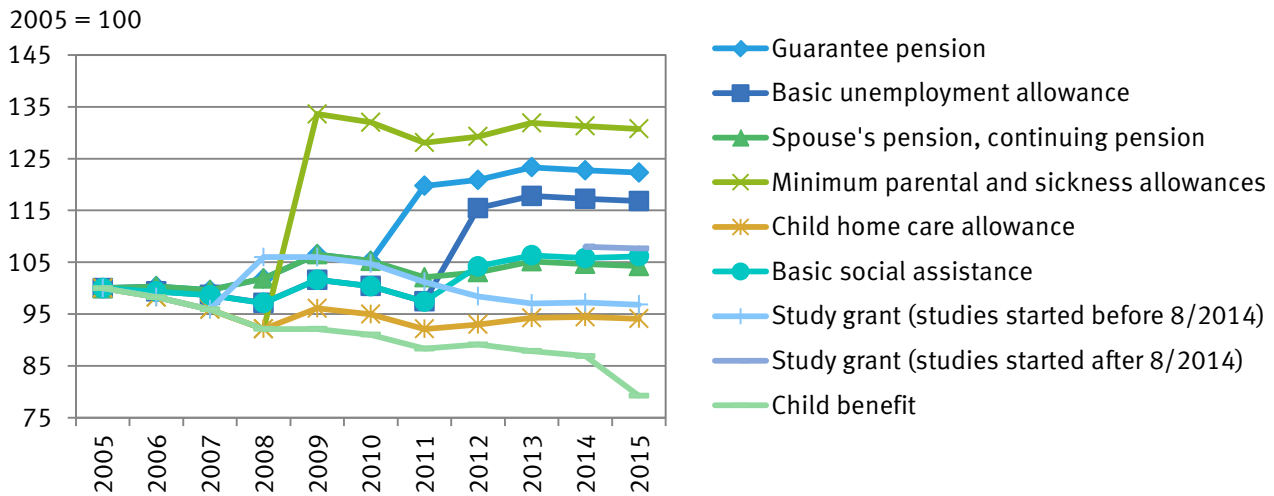
Figure 8. Real development of central basic social security benefits and basic social assistance in 2005–2015 in the price level of 2015.



Source: Statistics Finland / own calculations.

Figure 9 (p. 43) shows the real development of benefits relative to the 2005 level (2005 = 100). During the period of 2011–2014 index protection was expanded to cover all social security, when child benefits and child home care allowance were linked to the national pension index in 2011 and study grant in 2014. However, index adjustments of child benefits were frozen for 2013–2015. In 2015, benefits linked to the national pension index and the earnings-related pension index are “primarily” adjusted by only 0.4 per cent. The index adjustment by the rate of inflation would have been 0.8 per cent in 2015. Due to the lack of index protection, the real value of child benefits has decreased by 15 per cent and that of study grant by 5 per cent. Without the level increase of 2008 the real value of study grant would have decreased even more.

Figure 9. Real development of central basic social security benefits and basic social assistance in 2005–2015 (2005 = 100).



Source: Statistics Finland / own calculations.

Figure 10 (p. 45) shows the real development of maximum housing supplement for students, housing allowance for pensioners and general housing allowance in 2005–2015 in the price level of 2015. Figure 11 (p. 45) shows the same development indexed to the price level of 2005. As regards the housing supplement for students, the maximum level refers to the highest amount of the benefit payable to one student, when his or her housing costs are high enough and income is low enough. Housing supplement is a personal benefit: if more than one person live in a dwelling, housing costs are evenly divided by the number of residents when granting housing supplement. The municipality where the dwelling is located does not affect the amount of housing supplement. Housing supplement for students is not linked to index. In 2005–2015, the housing supplement has been increased once, in November 2005. The effect of this increase was, however, erased already in 2013 because of the rise of the general price level.

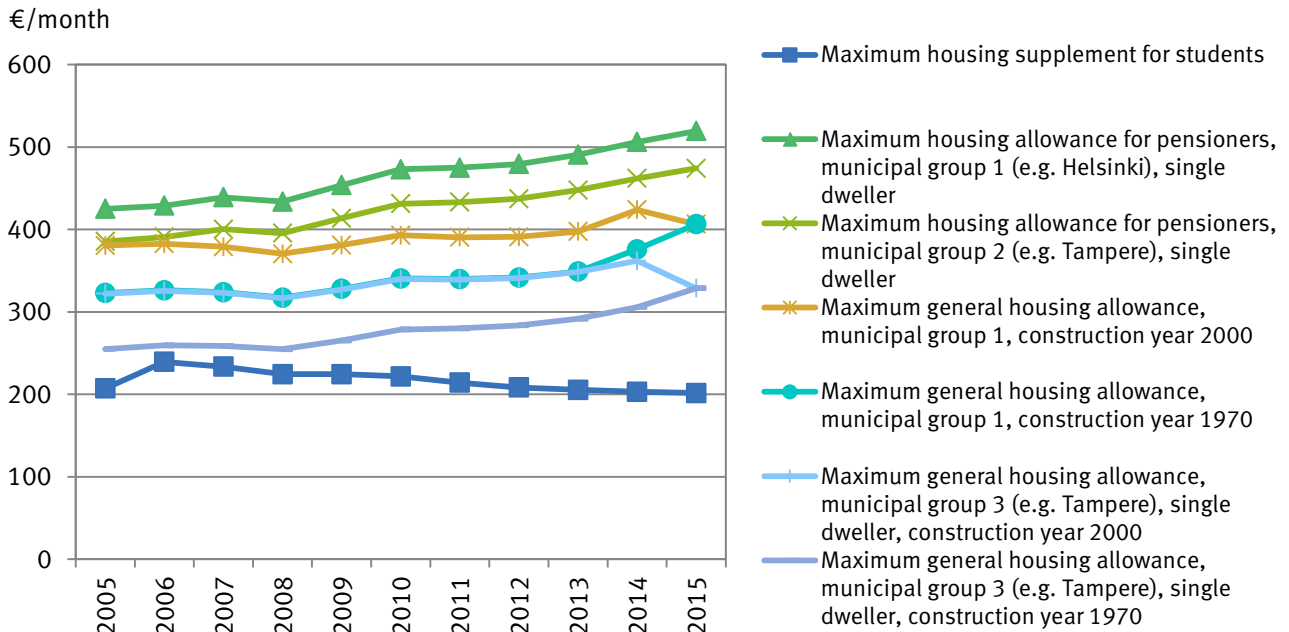
The basic requisite for receiving housing allowance for pensioners is the same as in housing supplement for students: housing costs that are high enough and income that is low enough. But unlike with housing supplement for students, housing allowance for pensioners is a household benefit and the municipality where the dwelling is located has an effect on the level of the allowance. The combined amount of housing supplement for pensioners is the same for single dwellers and couples: with couples the benefit is just divided by two. The real value of maximum housing allowance for pensioners has increased by over 20 per cent in municipal groups 1 and 2, i.e., in large cities, between 2005 and 2015.

General housing allowance is a household benefit. Both the municipality where the dwelling is located and the number of household members affect the level of general housing allowance. To re-

ceive the maximum amount of general housing allowance, the household's housing costs must be high enough and income low enough. Before 2015, the amount of general housing allowance was also dependent on the floor area of the dwelling and the year the dwelling was built or renovated. In 2015 the floor area of the dwelling or the year it was built no longer has an effect. In this calculation, maximum general housing allowance before 2015 refers to maximum housing allowance paid to a single dweller in a maximum-sized dwelling (37 square metres for a single dweller). The reform of general housing allowance, which took effect in the beginning of 2015, increased the maximum general housing allowance paid to persons living in older dwellings (in the figure, construction year 1970), but decreased the maximum general housing allowance paid for new dwellings (in the figure, construction year 2000).

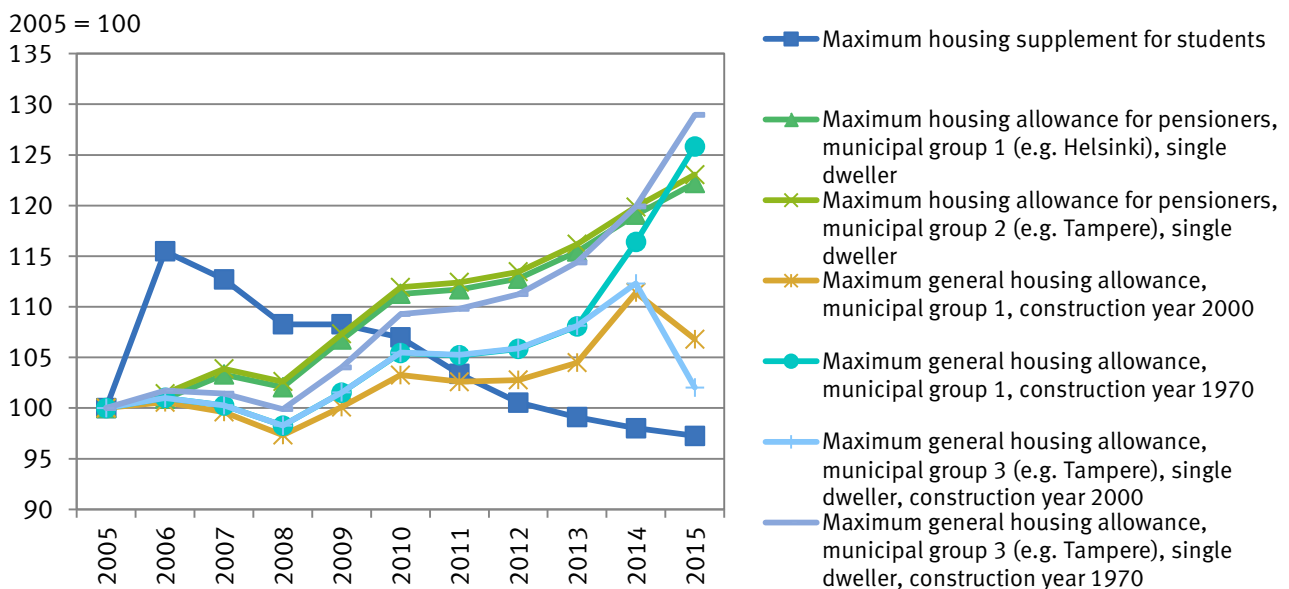
In addition to housing benefits paid by Kela—housing supplement for students as well as both general housing allowance and housing allowance for pensioners—housing costs are also covered with social assistance. Housing costs are reimbursed as other essential expenses in basic social assistance. Figure 12 (p. 46) shows the indicative levels of reasonable housing costs accepted in social assistance for single dwellers in Helsinki and Tampere between 2005 and 2015. To help comparing Figures 10, 11 and 12, it should be noted that Helsinki belongs to municipality group 1 in both general housing allowance and housing allowance for pensioners, whereas Tampere belongs to municipality group 2 in housing allowance for pensioners and to municipality group 3 in general housing allowance. This is only an indicative level of reasonable rents, since each social assistance application is handled with individual discretion and rents higher than the indicative level may be accepted for justifiable reasons. Such reasons are, for instance, living close to the children's school or a disabled person needing more space due to assistive devices.

Figure 10. The real development of maximum housing supplement for students, housing allowance for pensioners and general housing allowance in 2005–2015 in the price level of 2015. The benefit levels reflect the situation of January in each year.



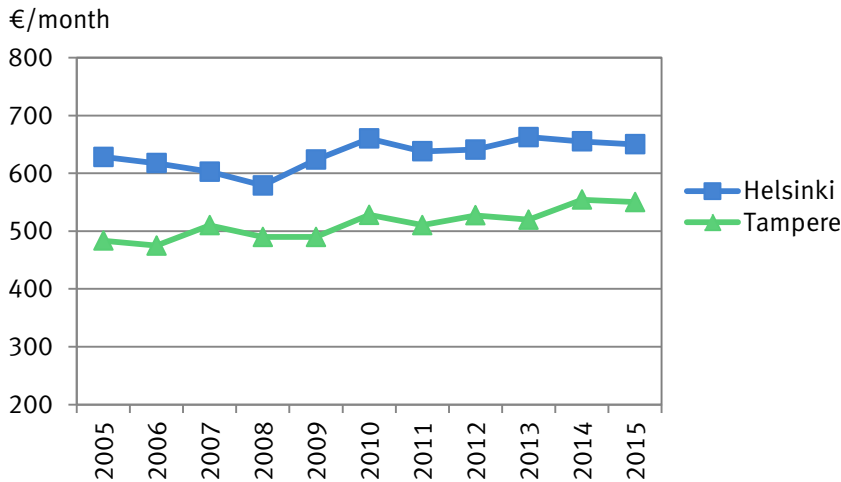
Source: SISU model / own calculations.

Figure 11. The real development of maximum housing supplement for students, housing allowance for pensioners and general housing allowance between 2005 and 2015 (2005 = 100). The benefit levels reflect the situation of January in each year.



Source: SISU model / own calculations.

Figure 12. Indicative levels of reasonable housing costs accepted in social assistance for single dwellers in Helsinki and Tampere between 2005 and 2015 (in the price level of 2015). The levels reflect the situation of January in each year.



Source: Guidelines of the cities of Helsinki and Tampere regarding granting social assistance / own calculations.

3.4 Effects of taxation

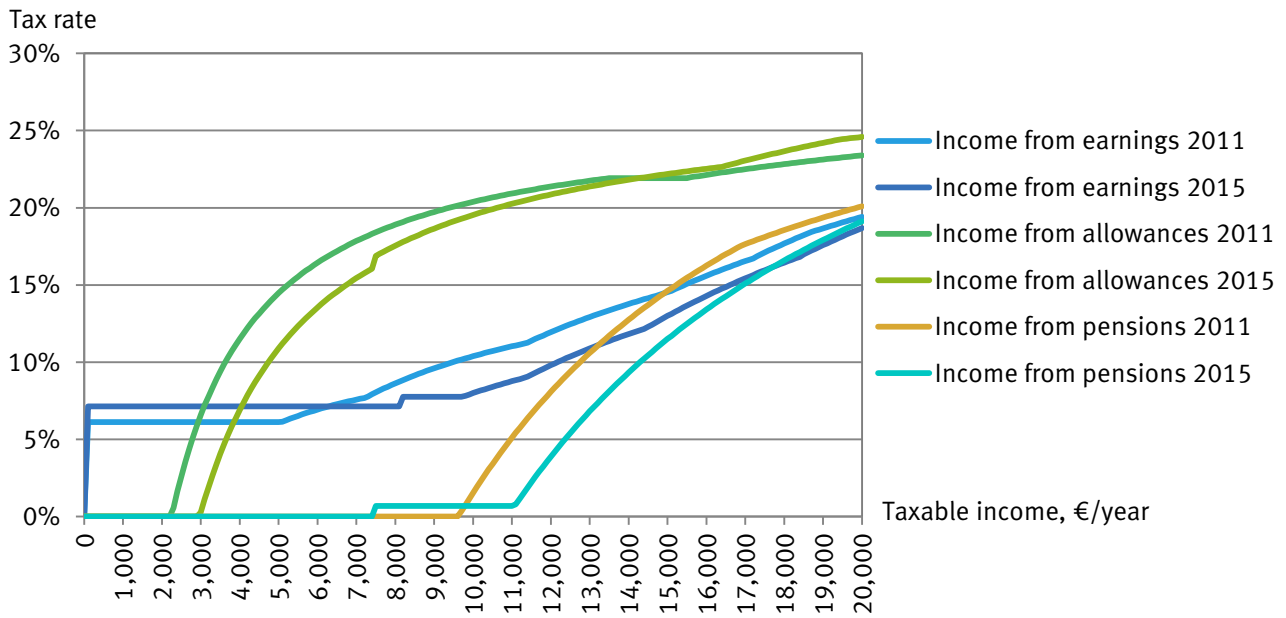
Most central basic social security benefits are taxable income, from which the tax is withheld before the benefit is paid to the client. Unemployment and parental allowances, labour market subsidy, pensions, child home care allowance and study grant are, among others, taxable income. On the other hand, for instance, housing benefits, child benefits, child maintenance allowance and care allowances are untaxed income. Because of the pension income deduction in municipal taxes, persons who receive only national pension and complementary guarantee pension, only pay the public broadcasting tax (Act on the public broadcasting tax [Laki yleisradioverosta 484/2012]).

Figure 13 (p. 47) depicts the average tax rates of a childless person's unemployment allowance, pension and earnings at different income levels in 2011 and 2015. In addition to taxes, the figure also takes into account social insurance fees paid by the insured. When calculating the pension insurance fee, the person is assumed to be under the age of 53. It can be seen in the figures that taxation of allowances, with the exception of the lowest incomes, is higher than taxation of earnings or pensions. This results from the tax deductions for earnings and pensions. A pension earnings deduction is applied to pensions in both municipal and state income taxes. The taxation of earnings is alleviated by the standard tax credit for work income and the standard earned-income deduction in municipal taxation.

Legislative reforms in earned-income taxation in 2011–2015 have affected the taxation of both basic social security benefits and wage earners. The basic deduction for low income taxpayers, the pension-income deduction and increases in the standard tax credit for work income have reduced taxes

on low income levels. On the other hand, introducing the public broadcasting tax in 2013 raised taxes on all income levels, except for the lowest incomes. Taxes have also been raised by increases in municipal tax levels and social insurance fees. Some social insurance fees are tax deductible, which means that increases in them reduced other income taxes.

Figure 13. Tax level of different forms of income according to income in 2011 and 2015.



Source: SISU model / own calculations.

3.5 Overlap of Kela-administered benefits and social assistance

The overlap of Kela-administered benefits and social assistance on the monthly level is shown in Table 2 (p. 48). The month analysed is November 2012, and the analysis includes all Kela-administered benefits, excluding health care benefits, travel compensations and medicine reimbursements as well as rehabilitation benefits. Seven per cent of all households receiving Kela-administered benefits also received social assistance. Receiving general housing allowance and social assistance simultaneously was very common: 42 per cent of the households that received general housing allowance also received social assistance. Receiving social assistance was also common in households with members receiving labour market subsidy, basic unemployment allowance or child maintenance allowance.

A reverse analysis is also possible for receiving social assistance: nearly 94 per cent of households receiving social assistance also received a Kela-administered benefit. The high percentage is due to social assistance being a last-resort financial support: when persons apply for social assistance at a municipal social services office, it is made sure that they have applied for all Kela-administered ben-

efits they are entitled to. An exception to this is preventive social assistance, which may be granted on more lenient financial grounds. Thus, most recipients of social assistance are also clients of Kela.

Table 2. Overlap of Kela administered benefits (excl. health care benefits, travel compensations and medicine reimbursements and rehabilitation benefits) and social assistance in November 2012.

Kela-administered benefit	Share of households receiving social assistance of all households receiving Kela-administered benefits (%)	Share of households receiving Kela-administered benefits of households receiving social assistance (%)
General housing allowance	42.1	70.5
Housing allowance for pensioners	6.6	9.3
Basic unemployment allowance	19.6	4.6
Labour market subsidy	32.2	37.1
Sickness allowance	7.8	4.4
Parental allowance	5.1	2.4
Child home care allowance	8.3	4.7
Other child care benefits: private child care allowance, partial care allowance, special care allowance	1.1	0.3
Child benefit	4.5	22.8
Child maintenance allowance	16.3	9.8
National pension, all	2.5	11.4
National pension, old-age pension	1.0	3.3
National pension, disability pension / rehabilitation allowance	6.8	8.2
National pension, unemployment pension	1.1	0.1
All full national pensions	7.7	4.3
Pension supplements: child increase, front-veterans' supplements	3.6	1.4
Guarantee pension	6.8	5.3
Kela administered survivors' pension	7.1	1.0
Financial aid for students: study grant, housing supplement for students, interest assistance	5.9	10.9
Conscript's allowance	4.6	0.2
Disability benefits	3.2	6.7
Any aforementioned benefit	7.0	93.7

Source: SISU model register data for 2012, which has been combined with monthly data of Kela benefits. The table is included in a publication on the overlap of Kela benefits and social assistance, which will be published in a series of the Kela Research Department in 2015.

3.6 Coordinating income from earnings and social security benefits

The amounts of many basic social security benefits depend on other income of the recipient person or household. There is great variation between benefits in the way other income is coordinated with the benefit. In some benefits both the recipient's own and his or her possible spouse's income have an effect on the benefit amount. For instance, the entire household's income affects the amount of housing allowance. Some benefits, such as national pension, are only affected by the recipient's own income. It is also possible to ignore a share of income when defining the amount of a benefit. For instance, the amount of national pension is only affected by the recipient's own earnings-related pension and certain other pension income. In many benefits other income is only factored in after a certain income limit or an exempt amount. How big this privileged share is varies between benefits and between family types. Usually other income does not reduce benefits in their full amount, but is rather adjusted to the benefit through a reduction percentage.

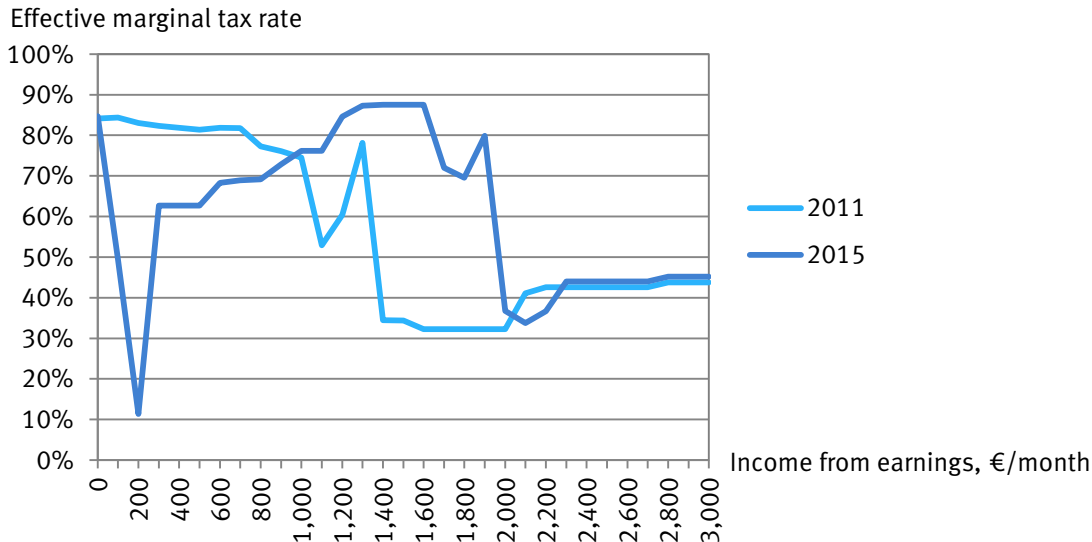
When there is an increase in earnings-related income, basic social security benefits decrease rapidly, which means that disposable incomes increase much more slowly than gross incomes. Financial incentives of working can be measured with (effective) marginal tax rates and participation tax rates. The effective marginal tax rate deals with the incentives of increasing work and indicates how large a share of the increase in earnings goes towards taxes and decreased social security benefits. The participation tax rate, as the term suggests, deals with the incentives of becoming employed and indicates how much the tax rate increases and income transfers decrease when a person becomes employed and starts earning wages of a certain amount. The higher the participation tax rate is, the worse the incentives are for an unemployed person to seek and accept employment.

Figure 14 (p. 50) describes the incentives of increasing work for a single-dwelling unemployed person living in a medium-sized city at different wage levels. Assumptions regarding housing are the same as in Chapter 4. It is assumed in the calculation that paid work is actually work under adjusted unemployment allowance. It can be seen in the figure that at low income rates the effective marginal tax rates are very high, which means that increasing earnings from work increase disposable income very little. Decreases in social assistance and basic unemployment allowance as earnings increase raise the effective marginal tax rate. There is a noticeable drop in effective marginal tax rates after persons become ineligible for these benefits.

When analysing legislation for 2015, the exempt amount for unemployment security benefits and general housing allowance is taken into account in accordance with legislation at the end of the year. In the example calculation, the exempt amounts reduce the need for social assistance in low incomes and thus bring down the effective marginal tax rate. Thanks to the exempt amounts, persons

with higher levels of income are eligible for general housing allowance and adjusted basic unemployment allowance. This is why the effect of these benefits raising the effective marginal tax rate is shifted to higher levels of income.

Figure 14. The effective marginal tax rates of persons receiving adjusted basic unemployment allowance in 2011 and 2015.



Source: SISU model / own calculations.

The incentives for becoming employed full-time have become weaker between 2001 and 2005. Table 3 (p. 51) shows that the average participation tax rate of becoming employed full-time has gone up by 3.5 percentage points between 2011 and 2015. The participation tax rate rises when the disposable incomes of unemployed persons grow faster than the disposable incomes of employed persons. There have been many reforms between 2011 and 2015 that have improved the financial situation of the unemployed, but also weakened the incentives of becoming employed. For example, the basic share of unemployment security was increased by €5.62 per day in 2012.

Tax reliefs improve the incentives of becoming employed when they are targeted at income from employment. For instance, increasing the standard tax credit for work income in state taxes has improved the incentives of a person with low income to accept employment. The basic deduction in municipal taxes is directed at both income generated from employment and from allowances, which makes it neutral in terms of incentives for becoming employed at very low levels of income. Participation tax rates at higher levels of income, where the basic deduction is no longer applicable, rise along with increases in the basic deduction.

The exempt amount of €300 per month for earnings in unemployment benefits, introduced in 2014, improved the profitability of part-time employment for low-income wage earners. It did, however,

also weaken the incentives of transitioning from adjusted unemployment benefits and part-time employment to full-time employment. The exempt amount to be introduced into general housing allowance in 2015 will have similar effects on the incentives of employment. Between 2011 and 2015, the average participation tax rate has gone down by 4.5 percentage points when transitioning to half-time employment. On the other hand, the incentives of transitioning from part-time employment to full-time employment have become weaker and the average participation tax rate of transitioning from half-time to full-time employment has risen by 11.6 percentage points.

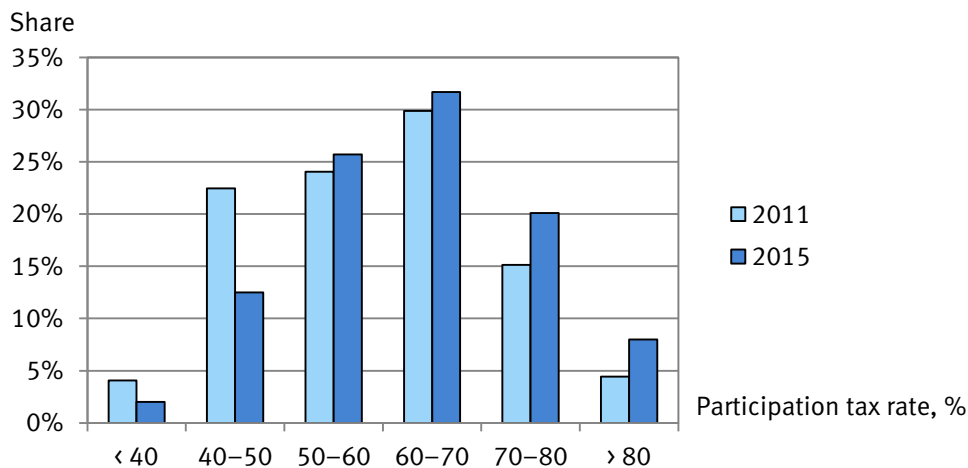
Table 3. Average participation tax rates according to legislation in 2011–2014.

	2011	2015	Change (percentage points)
Unemployment → Full-time employment	59.4	62.9	+3.5
Unemployment → Half-time employment	64.2	59.7	−4.5
Half-time employment → Full-time employment	54.6	66.2	+11.6

Source: Kotamäki and Kärkkäinen 2014.

Figure 15 shows the distribution of participation tax rates when becoming employed full-time in 2011 and 2015. It is clear from the figure that participation tax rates have risen almost overall. It may also be suggested that the share of those living in an unemployment trap, i.e. those whose participation tax rate is over 80 per cent, has grown.

Figure 15. Distribution of participation tax rates when becoming employed full-time according to legislation in 2011 and 2015.



Source: Kotamäki and Kärkkäinen 2014.

4 Example calculations of household income formation in 2015

4.1 Background assumptions of the example calculations

The background assumptions of the example calculations are mostly the same as in the evaluation report of 2011 (THL 2011). Income formation is analysed with four family types and in ten different life situations. The biggest change in comparison to the previous report is that housing costs are now analysed on four different levels instead of the earlier one: on the rent levels of three different regions and the maintenance level of a (debt-free) owner-occupied dwelling. The calculations are based on the legislation of the end of 2015, and they take into account the exempt amount in housing allowance, implemented in September 2015, which is the only major difference from the legislation of the beginning of 2015. The calculations have been made using the example calculation application of the SISU model.

Types of model families

The model families are four different types of families generally used in, among others, consumer research. The family types analysed are:

1. single dweller
2. single parent with one child
3. couple with no children
4. couple with two children.

The children's ages affect the level of social security in many benefits. The following assumptions are made on them: The child in the single-parent household is aged 3–7 and the couple's two children are aged 3–7 and 10–15. An exception to this is made in child home care allowance and parental allowance, where the younger child in the household is assumed to be under the age of 3, and in the two-parent household the other child between ages 3 and 7.

Life situations of the model families

The income formation, resulting from benefits and taxes, of households relying on basic social security is discussed in the list of life situations laid out in Section 19 of the Finnish Constitution. These life situations are unemployment, retirement (disability or old age), illness, birth of a child and death of a parent or spouse. Household income formation is also analysed for households receiving

child home care allowance, student financial aid, earnings-related unemployment benefits, earnings-related pension or earning average or low wages.

When analysing couples, the focus is only on situations where both spouses receive a basic social security benefit or where both spouses have income from employment. An exception to this is child home care allowance, where the spouse of the recipient is assumed to be unemployed and receive basic unemployment allowance.

Housing assumptions

The income formation of the model families is calculated with four different housing assumptions:

1. rental dwelling, small municipality
2. rental dwelling, medium-sized city
3. rental dwelling, Helsinki metropolitan area
4. owner-occupied dwelling, medium-sized city.

Dwelling sizes used in the calculations are equivalent to the average dwelling sizes of different types of families receiving general housing allowance in December 2013. The data are derived from Kela registers. The dwelling sizes used are the same throughout the country and for both rental and owner-occupied dwellings.

The assumed rent per square metre for households receiving general housing allowance and living in rental housing is based on average rents per square metre in different municipality groups: small municipalities (group 4), medium-sized cities (group 3) and the Helsinki metropolitan area (groups 1 and 2). The rents per square metre used in the calculations are average rents of general housing allowance recipients in the aforementioned family types and residential areas in December 2013. The rents are raised to the level of 2015 according to the forecast of the Ministry of Finance's budget proposal for 2015 (VM 2014a). The forecast is based on the development of rents per square metre of households receiving general housing allowance. The maintenance fee per square metre for those home owners is based on the national average maintenance fee of an apartment in a multi-storey building. The only housing cost taken into account for persons living in owner-occupied housing is the maintenance fee, which means that the dwelling described is a debt-free owner-occupied dwelling. Housing costs of owner-occupied housing are raised at the same rate as rents. The assumed housing costs for 2015 are presented in Table 4 (p. 54). It is reasonable to assume that the housing costs used in the calculations are below housing costs considered reasonable in municipalities,

which means that they are accepted in their full amount when defining the amount of social assistance (see Chapter 3.3).

Table 4. Assumptions related to housing costs in different family types and residential areas in 2015.

	Single dweller	Single parent, one child	Couple	Couple, two children
Dwelling floor area, m ²	42	63	57	80
Maintenance fee in owner-occupied housing, €/m ²	4.1	4.1	4.1	4.1
Rent in small municipalities, €/m ²	10.0	9.6	9.8	9.5
Rent in medium-sized cities, €/m ²	12.2	11.0	11.6	10.7
Rent in Helsinki metropolitan area, €/m ²	15.5	12.9	14.6	12.9
Maintenance fee in owner-occupied housing, €/month	171	257	233	326
Rent in small municipalities, €/month	420	602	557	756
Rent in medium-sized cities, €/month	514	690	661	859
Rent in Helsinki metropolitan area, €/month	650	812	833	1031

Analysed items of income

Income formation of households in the aforementioned life situations are different combinations of primary social insurance benefits or wages, family benefits and general housing allowance and social assistance. In addition to the child benefit received by all families with children, single-parent households are assumed to receive child maintenance allowance but no child support. The income of the model families is formed in the following manner:

Primary benefit or wages
 + family benefits
 – taxes
 = net income
 + housing benefits
 + social assistance
 = disposable income
 – housing costs
 = disposable income after housing costs

The concepts of income analysed are disposable incomes both before and after housing costs. These income concepts are widely used in income distribution analyses. The reasoning for this practice can be found in the 2011 evaluation report (THL 2011).

Average wages reflect the level of the 2013 index of wages and salary earnings published by Statistics Finland. The wages have been raised to the 2015 level by using the forecast of the earnings level index published by the Ministry of Finance (VM 2014b). In the low-income life situation wages have been defined as 50 per cent of average wages. In the life situation of a recipient of earnings-related unemployment allowance the allowance is based on similarly defined low wages. On the basis of statistics of the Finnish Centre for Pensions, an average earnings-related pension has been defined for 2013, which has then been adjusted for 2015 by using the earnings-related pension index.

Taxation

As regards municipal taxes, an average municipal tax rate is applied to the calculations. Church taxes are not factored in. The public broadcasting tax has, however, been taken into account, as well as the tax deductions applied automatically by the tax administration. Wage earners' taxes include mandatory social insurance fees. They are also assumed to pay the earnings-related pension insurance fee collected from those under the age of 53.

4.2 Recipients of labour market subsidy or basic unemployment allowance

Table 5 (p. 57) contains example calculations of the income formation of single dwellers, single parents, childless couples and two-parent families who receive basic unemployment security, i.e., labour market subsidy or basic unemployment allowance. The calculations are made for 2015 with four different assumed housing costs. The recipients are not assumed to receive reimbursements for expenses or supplementary allowances. The child supplement of unemployment security is factored into the calculations. The euro amounts of basic unemployment allowance and labour market subsidy are the same, and they are taxable income.

The example income of a single-dwelling unemployed person is formed of basic unemployment allowance and general housing allowance. Tenants are also entitled to social assistance. The calculated social assistance for an unemployed person whose housing costs are at a reasonable level in a small municipality remains rather small, only some tens of euros, but in the Helsinki metropolitan area it can be almost €160. The disposable monthly income of a single-dwelling unemployed person

is €717–1,135 depending on the amount of acceptable housing costs. The amount of disposable income after housing costs of single dwellers living in rental housing is €486 per month regardless of the location of their residence due to social assistance. For those living in owner-occupied housing the monthly amount is €541.

The example income of an unemployed single-parent comprises basic unemployment allowance and general housing allowance as well as child benefit and child maintenance allowance. Single parents living in rental housing are also eligible for social assistance and receive a calculated social assistance in the amount of €43–100 per month depending on where they live. The disposable monthly income of an unemployed single parent is €1,166–1,652 depending on the amount of housing costs. The disposable monthly income after housing costs for an unemployed single parent living in a rental dwelling is €840 regardless of where they live due to social assistance. The respective amount for those living in an owner-occupied dwelling is €909.

The income of an unemployed couple consists of unemployment allowance and, for those living in a rental dwelling, also of general housing allowance. Couples living in a rental dwelling in the Helsinki metropolitan area or in a medium-sized city will receive social assistance in the amount of €30–116 per month. The disposable monthly income of an unemployed couple is €1,170–1,658 depending on the amount of acceptable housing costs. The disposable monthly income after housing costs for an unemployed couple living in a rental dwelling is €825–841 depending on where they live. The respective amount for a couple living in an owner-occupied dwelling is €938.

The income of a household comprising an unemployed couple with two children consists of unemployment allowance, child benefit, general housing allowance and social assistance. Two-parent families with two children living in a rental dwelling receive social assistance in the amount of €120–175 per month depending on where they live. Also families living in an owner-occupied dwelling are calculatedly entitled to social assistance (€46 per month). The disposable monthly income of a household comprising two unemployed parents and two children is €1,773–2,478 depending on the amount of acceptable housing costs. For families with two unemployed parents and children the disposable monthly income after housing costs is €1,447 in both rented and owner-occupied housing.

Table 5. Income formation of an unemployed household with four different types of families and on four levels of housing costs in 2015 (€/month).

Form of housing	Income item	Single dweller	Single parent, one child	Couple	Couple, two children
	Unemployment allowances	705	819	1,410	1,745
	Child benefits	0	144	0	202
	Child maintenance allowance	0	155	0	0
	Taxes	120	141	240	310
	Net income	585	977	1,170	1,636
Rental dwelling, small municipality	Housing costs	420	602	557	756
	Housing support	290	422	228	447
	Social assistance	30	43	0	120
	Disposable income	905	1,442	1,398	2,203
	Disposable income after housing costs	486	840	841	1,447
Rental dwelling, medium-sized city	Housing costs	514	690	661	859
	Housing support	329	480	286	529
	Social assistance	86	73	30	140
	Disposable income	1,000	1,530	1,487	2,306
	Disposable income after housing costs	486	840	825	1,447
Rental dwelling, Helsinki metropolitan area	Housing costs	650	812	833	1,031
	Housing support	394	565	371	667
	Social assistance	156	110	116	175
	Disposable income	1,135	1,652	1,658	2,478
	Disposable income after housing costs	486	840	825	1,447
Owner-occupied dwelling	Housing costs	171	257	233	326
	Housing support	127	189	0	91
	Social assistance	0	0	0	46
	Disposable income	712	1,166	1,170	1,773
	Disposable income after housing costs	541	909	938	1,447

4.3 Guarantee pension recipients

Table 6 (p. 59) contains the benefits and income formation of households receiving guarantee pension with four different assumed housing costs. The households analysed here are not assumed to

receive earnings-related pension based on earlier employment history. Guarantee pension complements national pension. The national pension of a person living with a spouse is smaller than that of a single dweller. However, guarantee pension is the same for everyone and does not depend on the recipient's family situation. The total pension of a couple is twice the amount of the total pension of a single dweller, but it consists of national pension and guarantee pension in a different ratio. Both national and guarantee pensions are taxable income, but due to the pension income deduction in municipal taxation, persons receiving guarantee pension only pay the public broadcasting tax. Pension recipients receive a child increase for children under the age of 16. The child increase is untaxed income. If both spouses receive pension, the child increase is paid to both parents.

The income of a single-dwelling pensioner consists of national pension and guarantee pension as well as the housing allowance for pensioners. The disposable monthly income of single-dwelling guarantee pension recipients is €838–1,245 depending on the amount of housing allowance for pensioners they receive. The disposable monthly income after housing costs for a single-dwelling national pension recipient living in a rental dwelling is €595–630 depending on where they live. The respective amount for those living in an owner-occupied dwelling is €667.

In the example calculation, a single parent who receives guarantee pension is entitled to, in addition to guarantee pension and general housing allowance, the child increase for pension recipients, child benefit and child maintenance allowance. Single parents living in the Helsinki metropolitan area are also entitled to social assistance in the amount of €24 per month. The disposable monthly income of a single parent on guarantee pension is €1,252–1,652 depending on the amount of housing allowance they receive. The disposable monthly income after housing costs for a single parent on pension and living in a rental dwelling is €840–883 depending on where they live. The respective amount for those living in an owner-occupied dwelling is €995.

Both spouses of a couple on guarantee pension are entitled to guarantee pension and housing allowance for pensioners. The disposable monthly income of a couple on national pension is €1,529–1,894 depending on the amount of housing allowance for pensioners they receive. The disposable monthly income after housing costs for a couple on national pension and living in a rental dwelling is €1,062–1,229 depending on where they live. The respective amount for those living in an owner-occupied dwelling is €1,296.

The income of a couple on guarantee pension, who are supporting two underage children, consists of pensions and additionally of child increases, general housing allowance and child benefits. The disposable monthly income of a household comprising two parents on guarantee pension and two children is €1,945–2,521 depending on the amount of acceptable housing costs. The disposable

monthly income after housing costs for a couple on guarantee pension with two children living in a rental dwelling is €1,490–1,545 depending on where they live. The respective amount for those living in an owner-occupied dwelling is €1,618.

Table 6. Income formation of households on guarantee pension with four types of families and four levels of housing costs in 2015 (€/month).

Form of housing	Income item	Single dweller	Single parent, one child	Couple	Couple, two children
	Pensions	747	747	1,493	1,493
	Child increases	0	22	0	89
	Child benefit	0	144	0	202
	Child maintenance allowance	0	155	0	0
	Taxes	5	5	10	10
	Net income	741	1,063	1,483	1,773
Rental dwelling, small municipality	Housing costs	420	602	557	756
	Housing benefits	308	422	303	527
	Social assistance	0	0	0	0
	Disposable income	1,049	1,485	1,786	2,301
	Income after housing costs	630	883	1,229	1,545
Rental dwelling, medium-sized city	Housing costs	514	690	661	859
	Housing benefits	388	480	366	610
	Social assistance	0	0	0	0
	Disposable income	1,130	1,543	1,849	2,383
	Disposable income after housing costs	616	853	1,188	1,524
Rental dwelling, Helsinki metropolitan area	Housing costs	650	812	833	1,031
	Housing benefits	503	565	411	747
	Social assistance	0	24	0	0
	Disposable income	1,245	1,652	1,894	2,521
	Disposable Income after housing costs	595	840	1,062	1,490
Owner-occupied dwelling	Housing costs	171	257	233	326
	Housing benefits	97	189	46	172
	Social assistance	0	0	0	0
	Disposable income	838	1,252	1,529	1,945
	Disposable income after housing costs	667	995	1,296	1,618

4.4 Recipients of sickness or parental allowances

Table 7 (p. 61) shows the income formation of households receiving sickness or parental allowances with different assumed housing costs. Parental allowances include maternity allowance, paternity allowance and parental allowance, which may be divided between the parents. The amount of minimum sickness allowance is the same as the amount of minimum parental allowance, which makes the calculations in the table applicable to both benefit types, even though parental allowance may only be granted to families with children. Both parents of the family are not eligible for parental allowance simultaneously during a calendar month. This means that the calculation for families with children applies to families, where one parent receives minimum parental allowance and the other receives minimum sickness allowance. Both sickness and parental allowances are taxable income.

The income of a single dweller receiving minimum sickness allowance consists, in addition to the allowance, of general housing allowance and social assistance. Practically all example households on minimum allowances regardless of the type of housing are calculatedly entitled to social assistance. The disposable monthly income of single-dwelling minimum sickness allowance recipients is €657–1,135 depending on the amount of acceptable housing costs in housing allowance and social assistance. The disposable monthly income after housing costs for single dwellers living in either rental or owner-occupied dwellings is €486 regardless of where they live.

In the example calculation, the income of a single parent receiving minimum allowance comprises the allowance and general housing allowance, child benefit, child maintenance allowance and social assistance. The disposable monthly income of a single-parent household is €1,097–1,652 depending on acceptable housing costs. The disposable monthly income after housing costs for all single parents receiving minimum allowances is €840 regardless of where they live or their type of housing.

The benefits of a couple receiving minimum sickness allowance include sickness allowance, general housing allowance and social assistance (excluding those living in an owner-occupied dwelling). The disposable monthly income of a childless couple is €1,071–1,658 depending on acceptable housing costs. The disposable monthly income after housing costs is €825 for tenants and a bit more, €839, for home owners.

In the example calculation, a household of two parents receiving minimum parental allowance and sickness allowance supporting two children receive income from the allowances, general housing allowance, child benefits and social assistance. The disposable monthly income of a two-parent family with children is €1,739–2,444 depending on the amount of acceptable housing costs. The disposable monthly income after housing costs is €1,413 for both tenants and home owners.

With the exception of childless couples, all families in the example calculations are calculatedly entitled to social assistance. This is the reason for the similarity in disposable income after housing costs regardless of the location of the dwelling or type of housing.

Table 7. Income formation of a household receiving minimum sickness or parental allowance with four different types of families and on four levels of housing costs in 2015 (€/month).

Form of housing	Income item	Single dweller	Single parent, one child	Couple	Couple, two children
	Allowances	601	601	1,201	1,201
	Child benefits	0	144	0	202
	Child maintenance allowance	0	155	0	0
	Taxes	89	81	178	161
	Net income	512	819	1,023	1,242
Rental dwelling, small municipality	Housing costs	420	602	557	756
	General housing allowance	290	422	295	605
	Social assistance	104	201	64	323
	Disposable income	905	1,442	1,382	2,169
	Disposable income after housing costs	486	840	825	1,413
Rental dwelling, medium-sized city	Housing costs	514	690	661	859
	General housing allowance	329	480	353	687
	Social assistance	159	231	110	343
	Disposable income	1,000	1,530	1,487	2,272
	Disposable income after housing costs	486	840	825	1,413
Rental dwelling, Helsinki metropolitan area	Housing costs	650	812	833	1,031
	General housing allowance	394	565	438	825
	Social assistance	230	268	197	377
	Disposable income	1,135	1,652	1,658	2,444
	Disposable income after housing costs	486	840	825	1,413
Owner-occupied dwelling	Housing costs	171	257	233	326
	General housing allowance	127	189	48	249
	Social assistance	19	89	0	249
	Disposable income	657	1,097	1,071	1,739
	Disposable income after housing costs	486	840	839	1,413

4.5 Spouse's pension recipients

Table 8 presents the benefits and benefit levels of single-parent households who have lost the other provider. The income of a single-parent household comprises the spouse's continuing pension, the orphan's pension, child benefit, general housing allowance and social assistance. This calculation for an example family only covers survivors' pensions paid from the national pension scheme. Only those under the age of 65 are eligible for the Kela-administered spouse's pension. It is assumed in the calculations that the deceased provider has died over six months ago, which means that the initial spouse's pension period has ended and the spouse receives continuing pension.

Even though the amount of spouse's pension is less than guarantee pension, receiving spouse's pension does not entitle the recipient to guarantee pension. It is taxable income, but due to the pension income deduction in municipal taxation persons receiving spouse's pension only pay the public broadcasting tax. Orphan's pension is considered the child's own income, which means that it is not included in the spouse's taxes nor does it affect the amount of general housing assistance. The disposable monthly income of a single parent on spouse's pension is €1,117–1,652 depending on the amount of acceptable housing costs. In the example the surviving single parent is calculatedly entitled to social assistance, with the exception of home ownership. The disposable monthly income after housing costs for surviving single parents living in rental dwellings is €840 regardless of where they live. The respective amount is a bit more for home owners, €860.

Table 8. Income formation of a surviving single-parent household on four levels of housing costs in 2015 (€/month).

Form of housing	Income item	Single parent, one child
	Spouse's pension	637
	Orphan's pension	152
	Child benefits	144
	Taxes	4
	Net income	928
Rental dwelling, small municipality	Housing costs	602
	Housing benefits	422
	Social assistance	92
	Disposable income	1,442
	Disposable income after housing costs	840

Form of housing	Income item	Single parent, one child
Rental dwelling, medium-sized city	Housing costs	690
	Housing benefits	480
	Social assistance	122
	Disposable income	1,530
	Disposable income after housing costs	840
Rental dwelling, Helsinki metropolitan area	Housing costs	812
	Housing benefits	565
	Social assistance	159
	Disposable income	1,652
	Disposable income after housing costs	840
Owner-occupied dwelling	Housing costs	257
	Housing benefits	189
	Social assistance	0
	Disposable income	1,117
	Disposable income after housing costs	860

4.6 Student financial aid recipients

Presented in Table 9 (p. 65) are the benefits of students over the age of 20 in higher education who started their studies before August 2014. Table 10 (p. 66) contains the same benefits for those whose studies begun after August 2014. Student loan is a part of students' income security, and it is considered income for students when determining the need for social assistance regardless of whether or not the student has applied for a loan. The housing supplement for students is a personal benefit of single dwellers and couples. Families with children are, on the other hand, entitled to general housing allowance. Study grant is taxable income, but due to the deduction for study grant income, receiving only the study grant does not actually produce taxable income.

The benefits single-dwelling students are entitled to are study grant and housing supplement for students, student loan and in larger cities also social assistance for students living in rental housing. The disposable monthly income, including student loan, of a single-dwelling student is €830–1,135 depending on the amount of acceptable housing costs. For students whose studies begun after August 2014 the respective income is €863–1,135. The disposable monthly income with student loan after housing costs for students living in rental housing is €486 regardless of where they live and

€659 for home-owner students. The respective income of students whose studies began after August 2014 is €486–519 for tenants and €692 for home owners.

The income of a single-parent student consists of study grant, general housing allowance and also child benefit and child maintenance allowance. Tenants are also calculatedly entitled to social assistance, except students whose studies began after August 2014 and who live in small municipalities. The disposable monthly income of a single-parent student including student loan is €1,192–1,652 depending on the amount of acceptable housing costs. For new students the respective income is €1,225–1,652. The disposable monthly income after housing costs of a single-parent student is €840 for tenants and €935 for home owners. Respectively, the disposable monthly income of new students is €840–856 for tenants and €968 for home owners.

A student couple's income consists of two sets of study grants, housing allowance for students and student loans. The disposable monthly income of a student couple is €1,581–1,810 depending on the amount of acceptable housing costs. The disposable monthly income with student loans after housing costs for a student couple is €977–1,252 for tenants and €1,348 for home owners. For a student couple who have started their studies after August 2014, the disposable monthly income is €1,648–1,877. After housing costs the income is €1,044–1,320 for tenants and €1,516 for home owners.

The income of a household comprising a student couple and two children consists of study grants, general housing allowance, child benefits and, for those living in larger cities, social assistance. The disposable monthly income with student loans for a student couple supporting two children is €1,857–2,478 depending on the amount of acceptable housing costs. The disposable monthly income after housing costs is €1,447–1,457 for tenants and €1,530 for home owners. The disposable monthly income of a student couple who have started their studies after August 2014 and are supporting two children is €1,924–2,500 before housing costs. The disposable monthly income after housing costs for a student family with two parents and two children is €1,469–1,524 for tenants and €1,598 for home owners.

The children of student families under school age would most likely attend day care. At the income level of the example families the families would not, however, be required to pay any fees for public day care.

Table 9. Income formation of students in higher education (whose studies begun before August 2014) with four types of families and four levels of housing costs in 2015 (€/month).

Form of housing	Income item	Single dweller	Single parent, one child	Couple	Couple, two children
	Study grants	303	303	606	606
	Student loans	400	400	800	800
	Child benefits	0	144	0	202
	Child maintenance allowance	0	155	0	0
	Taxes	0	0	0	0
	Net income	703	1,003	1,406	1,608
Rental dwelling, small municipality	Housing costs	420	602	557	756
	Housing benefits	202	422	403	605
	Social assistance	0	18	0	0
	Disposable income	905	1,442	1,810	2,213
	Disposable income after housing costs	486	840	1,252	1,457
Rental dwelling, medium-sized city	Housing costs	514	690	661	859
	Housing benefits	202	480	403	687
	Social assistance	95	47	0	11
	Disposable income	1,000	1,530	1,810	2,306
	Disposable income after housing costs	486	840	1,148	1,447
Rental dwelling, Helsinki metropoli- tan area	Housing costs	650	812	833	1,031
	Housing benefits	202	565	403	825
	Social assistance	230	84	0	45
	Disposable income	1,135	1,652	1,810	2,478
	Disposable income after housing costs	486	840	977	1,447
Owner-occupied dwelling	Housing costs	171	257	233	326
	Housing benefits	127	189	175	249
	Social assistance	0	0	0	0
	Disposable income	830	1,192	1,581	1,857
	Disposable income after housing costs	659	935	1,348	1,530

Table 10. Income formation of students in higher education (whose studies begun after August 2014) with four types of families and four levels of housing costs in 2015 (€/month).

Form of housing	Income item	Single dweller	Single parent, one child	Couple	Couple, two children
	Study grants	337	337	674	674
	Student loans	400	400	800	800
	Child benefits	0	144	0	202
	Child maintenance allowance	0	155	0	0
	Taxes	0	0	0	0
	Net income	737	1,036	1,474	1,675
Rental dwelling, small municipality	Housing costs	420	602	557	756
	Housing benefits	202	422	403	605
	Social assistance	0	0	0	0
	Disposable income	938	1,458	1,877	2,280
	Disposable income after housing costs	519	856	1,320	1,524
Rental dwelling, medium-sized city	Housing costs	514	690	661	859
	Housing benefits	202	480	403	687
	Social assistance	61	14	0	0
	Disposable income	1,000	1,530	1,877	2,362
	Disposable income after housing costs	486	840	1,216	1,503
Rental dwelling, Helsinki metropoli- tan area	Housing costs	650	812	833	1,031
	Housing benefits	202	565	403	825
	Social assistance	197	51	0	0
	Disposable income	1,135	1,652	1,877	2,500
	Disposable income after housing costs	486	840	1,044	1,469
Owner-occupied dwelling	Housing costs	171	257	233	326
	Housing benefits	127	189	175	249
	Social assistance	0	0	0	0
	Disposable income	863	1,225	1,648	1,924
	Disposable income after housing costs	692	968	1,416	1,598

4.7 Child home care allowance recipients

Presented in Table 11 are calculations of the benefits of child home care recipients for both single-parent and two-parent families with children. In a household with two providers, one parent is assumed to receive child home care allowance and the other to receive basic unemployment allowance. The example calculation does not take into account municipal supplements of child home care allowance, which may be quite substantial. Child home care allowance is taxable income.

Table 11. Income formation of recipients of child home care allowance at four levels of housing costs in 2015 (€/month).

Form of housing	Income item	Single parent, one child	Couple, two children
	Child home care allowance	526	592
	Unemployment allowances	0	872
	Child benefits	144	202
	Child maintenance allowance	155	0
	Taxes	62	233
	Net income	764	1,432
Rental dwelling, small municipality	Housing costs	602	756
	Housing benefits	422	537
	Social assistance	257	200
	Disposable income	1,442	2,169
	Disposable income after housing costs	840	1,413
Rental dwelling, medium-sized city	Housing costs	690	859
	Housing benefits	480	619
	Social assistance	286	220
	Disposable income	1,530	2,272
	Disposable income after housing costs	840	1,413
Rental dwelling, Helsinki metropolitan area	Housing costs	812	1,031
	Housing benefits	565	757
	Social assistance	323	255
	Disposable income	1,652	2,444
	Disposable income after housing costs	840	1,413
Owner-occupied dwelling	Housing costs	257	326
	Housing benefits	189	181
	Social assistance	144	126
	Disposable income	1,097	1,739
	Disposable income after housing costs	840	1,413

The benefits of a single parent who receives child home care allowance and is supporting one child under the age of three are: child home care allowance (consisting of care allowance, which is not earnings-related, and care supplement, which is earnings-related), general housing allowance, child benefit, child maintenance allowance and calculated social assistance. The disposable monthly income of a single parent receiving child home care allowance is €1,097–1,652 depending on the amount of acceptable housing costs. The disposable monthly income of a single parent receiving child home care allowance after housing costs is €840 regardless of the amount of housing costs.

The income of the example household of two parents and two children consists of child home care allowance received by one parent, basic unemployment allowance received by the other parent, child benefits, general housing allowance and social assistance. The amount of child home care allowance is larger than in the example family with one child, because a sibling increase is paid for the family's other child. The disposable monthly income is €1,739–2,444 depending on the amount of acceptable housing costs. The disposable monthly income after housing costs is €1,413 regardless of the amount of housing costs, due to the calculated entitlement to social assistance.

4.8 Earnings-related unemployment allowance recipients

Presented in Table 12 (p. 69) is the income formation of households receiving earnings-related unemployment pension. The basis for these calculations is a salary which is 50 per cent of average wages. The earnings-related unemployment pension of a low-paid worker calculated in this manner is 63–73 per cent of the earlier salary depending on the amount of child increases. The allowance and the child increase are taxable income.

Earnings-related unemployment allowance recipients living in rental housing are entitled to social assistance, with the exception of couples. Of allowance recipients who are home owners, only single-parent households are entitled to general housing allowance. The example households are not calculatedly entitled to social assistance.

The income of a single-dwelling recipient of earnings-related unemployment allowance consists of the unemployment allowance and general housing allowance. The disposable monthly income is €883–1,148 depending on acceptable housing costs. The disposable monthly income after housing costs is €499–625 for tenants depending on where they live, and €712 for home owners.

The income of a single parent receiving earnings-related unemployment allowance comprises the unemployment allowance, general housing allowance, child benefit and child maintenance allowance. The disposable monthly income of the household is €1,371–1,746 depending on acceptable

housing costs. The disposable monthly income after housing costs is €935–1,001 for tenants depending on acceptable housing costs, and €1,114 for home owners.

Table 12. Income formation of earnings-related unemployment allowance recipients with four different types of families and on four levels of housing costs in 2015 (€/month).

Form of housing	Income item	Single dweller	Single parent, one child	Couple	Couple, two children
	Unemployment allowances	1,107	1,221	2,214	2,548
	Child benefits	0	144	0	202
	Child maintenance allowance	0	155	0	0
	Taxes	224	245	448	517
	Net income	883	1,275	1,766	2,232
Rental dwelling, small municipality	Housing costs	420	602	557	756
	Housing benefits	161	328	0	190
	Social assistance	0	0	0	0
	Disposable income	1,044	1,603	1,766	2,422
	Disposable income after housing costs	625	1,001	1,209	1,666
Rental dwelling, medium-sized city	Housing costs	514	690	661	859
	Housing benefits	200	386	29	272
	Social assistance	0	0	0	0
	Disposable income	1,083	1,662	1,796	2,505
	Disposable income after housing costs	569	972	1,134	1,645
Rental dwelling, Helsinki metropolitan area	Housing costs	650	812	833	1,031
	Housing benefits	265	471	114	410
	Social assistance	0	0	0	0
	Disposable income	1,148	1,746	1,880	2,642
	Disposable income after housing costs	499	935	1,048	1,611
Owner-occupied dwelling	Housing costs	171	257	233	326
	Housing benefits	0	95	0	0
	Social assistance	0	0	0	0
	Disposable income	883	1,371	1,766	2,232
	Disposable income after housing costs	712	1,114	1,534	1,906

The income of an unemployed couple on earnings-related unemployment allowance consists of the unemployment allowances and, for those living in rental housing in the Helsinki metropolitan area or in a medium-sized city, also of general housing allowance. The disposable monthly income is

€1,766–1,880 depending on the amount of the general housing allowance. The disposable monthly income after housing costs is €1,048–1,134 for tenants and €1,534 for home owners.

The income of a household of two parents on earnings-related unemployment allowance supporting two children consists of the unemployment allowances, general housing allowance and child benefits. The disposable monthly income of the household is €2,232–2,642 depending on acceptable housing costs. The disposable monthly income after housing costs is €1,611–1,666 for tenants depending on where they live, and €1,906 for home owners.

4.9 Earnings-related pension recipients

Table 13 (p. 71) presents the income formation of households receiving average earnings-related pension. The pension is calculated on the basis of an average earnings-related pension, regardless of the recipient's gender or whether the pension is granted due to old age or disability. An earnings-related pension granted on the basis of old age is larger than that granted on the basis of disability. Families with children, who receive earnings-related pension, usually receive it on the basis of disability. Thus, the average earnings-related pension used here is larger than the average earnings-related pension received by families with children. The average earnings-related pension used as the basis for these calculations is sufficiently large for the recipient to be ineligible for national pension. Recipients of earnings-related pension are calculatedly not entitled to social assistance with any family type or housing costs.

Earnings-related pension is taxable income. Pension recipients receive a child increase for children under the age of 16, as stipulated in the national pensions act (Kansaneläkelaki 568/2007). If both spouses receive pension, the child increase is paid to both parents.

The benefits of a single-dwelling earnings-related pension recipient are the pension and, for tenants, also the housing allowance for pensioners. The disposable monthly income of a single-dwelling earnings-related pension recipient is €1,192–1,481 depending on the amount of housing allowance. The disposable income after housing costs of a single-dwelling pension recipient living in rental housing is €831–866 depending on where they live. For home owners the disposable monthly income after housing costs is €1,021.

The income of a single parent who receives an average earnings-related pension consists of the pension and the pension recipient's child increase, child benefit and general housing allowance. The disposable monthly income of a single parent on earnings-related pension is €1,567–1,943 depending on acceptable housing costs. The disposable monthly income after housing costs is €1,131–1,198 for tenants depending on where they live, and €1,310 for home owners.

Table 13. Income formation of average earnings-related pension recipients with four types of families and four levels of housing costs in 2015 (€/month).

Form of housing	Income item	Single dweller	Single parent, one child	Couple	Couple, two children
	Pensions	1,378	1,378	2,757	2,757
	Child increases	0	22	0	89
	Child benefits	0	144	0	202
	Child maintenance allowance	0	155	0	0
	Taxes	186	178	372	356
	Net income	1,192	1,522	2,385	2,692
Rental dwelling, small municipality	Housing costs	420	602	557	756
	Housing benefits	93	277	0	123
	Social assistance	0	0	0	0
	Disposable income	1,285	1,800	2,385	2,815
	Disposable income after housing costs	866	1,198	1,827	2,058
Rental dwelling, medium-sized municipality	Housing costs	514	690	661	859
	Housing benefits	174	336	0	206
	Social assistance	0	0	0	0
	Disposable income	1,366	1,858	2,385	2,897
	Disposable income after housing costs	852	1,168	1,723	2,038
Rental dwelling, Helsinki metropoli- tan area	Housing costs	650	812	833	1,031
	Housing benefits	289	421	0	343
	Social assistance	0	0	0	0
	Disposable income	1,481	1,943	2,385	3,035
	Disposable income after housing costs	831	1,131	1,552	2,003
Owner-occupied dwelling	Housing costs	171	257	233	326
	Housing benefits	0	45	0	0
	Social assistance	0	0	0	0
	Disposable income	1,192	1,567	2,385	2,692
	Disposable income after housing costs	1,021	1,310	2,152	2,365

The income of a couple receiving average earnings-related pension consists of the pensions only. This means that the disposable monthly income of a couple on earnings-related pension is €2,385 regardless of where they live or whether they are tenants or home owners. The disposable monthly income after housing costs for a couple on earnings-related pension living in rental housing is

€1,552–1,827 depending on where they live. The respective amount for a home-owner couple is €2,152.

The income of a couple, who receive an average earnings-related pension and are supporting two underage children, consists of the pension, the pension recipient's child increase and child benefits. Additionally, a household of two pension recipients and two children who live in rental housing, is entitled to housing allowance. The disposable monthly income in this case is €2,692–3,035 depending on acceptable housing costs. The family's disposable monthly income after housing costs is €2,003–2,058 for tenants depending on where they live, and €2,365 for home owners.

4.10 Low-earning households

Presented in Table 14 (p. 73) are example calculations of the income formation of low-earning households. In the example calculations, low wages have been defined as 50 per cent of average wages (see Chapter 4.11) or monthly wages of €1,670.

The income of a low-paid worker consists of wages and, for tenants, of general housing allowance. The disposable monthly income in this case is €1,373–1,554 depending on the amount of housing allowance. The disposable monthly income after housing costs for low-paid workers is €904–1,030 for tenants depending on where they live, and €1,202 for home owners.

The income of low-earning single parents, in addition to income from wages, comprises general housing allowance, child benefit and child maintenance allowance. The disposable monthly income of the household is €1,729–2,104 depending on acceptable housing costs. The disposable monthly income for a low-earning single parent is €1,292–1,359 for tenants and €1,471 for home owners.

The income of a low-earning couple consists only of income from wages. Thus, the disposable monthly income is €2,746 regardless of where they live or whether they are tenants or home owners. The disposable monthly income after housing costs for tenants is €1,914–2,189 depending on where they live. The respective amount for home owners is €2,514.

The income of a household of two low-earning parents supporting two children consists of income from work, child benefits and, for tenants, of general housing allowance. The disposable monthly income in this case is €2,964–3,312 depending on where the family lives and whether they are tenants or home owners. The disposable monthly income after housing costs is €2,282–2,337 for tenants depending on where they live, and €2,638 for home owners.

The children of working parents under school age would most likely attend day care. The calculation does not, however, take municipal day care fees into account. At the earnings level of the example families, the monthly day care fees would be €54 for the single-parent household and €107 for the two-parent household.

Table 14. Income formation of low-earning households with four types of families and four levels of housing costs in 2015 (€/month).

Form of housing	Income item	Single dweller	Single parent, one child	Couple	Couple, two children
	Income from wages	1,670	1,670	3,340	3,340
	Child benefits	0	144	0	202
	Child maintenance allowances	0	155	0	0
	Taxes	297	288	593	577
	Net income	1,373	1,681	2,746	2,964
Rental dwelling, small municipality	Housing costs	420	602	557	756
	Housing benefits	77	280	0	129
	Social assistance	0	0	0	0
	Disposable income	1,450	1,961	2,746	3,093
	Disposable income after housing costs	1,030	1,359	2,189	2,337
Rental dwelling, medium-sized city	Housing costs	514	690	661	859
	Housing benefits	116	339	0	211
	Social assistance	0	0	0	0
	Disposable income	1,489	2,020	2,746	3,175
	Disposable income after housing costs	975	1,329	2,085	2,316
Rental dwelling, Helsinki metropolitan area	Housing costs	650	812	833	1,031
	Housing benefits	181	423	0	348
	Toimeentulotuki	0	0	0	0
	Disposable income	1,554	2,104	2,746	3,313
	Disposable income after housing costs	904	1,292	1,914	2,282
Owner-occupied dwelling	Housing costs	171	257	233	326
	Housing benefits	0	48	0	0
	Social assistance	0	0	0	0
	Disposable income	1,373	1,729	2,746	2,964
	Disposable income after housing costs	1,202	1,471	2,514	2,638

4.11 Average-earning households

Table 15 (p. 75) shows the income formation of an average-earning household. The average wages used here are those determined by Statistics Finland as the average wages for full-time employment in 2013. The wages have been adjusted for 2015 according to the earnings-level forecast (VM 2014b). The income of an average-earning household consists only of income from wages, except for families with children, who also receive child benefits, and single parents, who receive child maintenance allowance.

The disposable monthly income of a single-dwelling person making average wages is €2,347. The disposable monthly income after housing costs in this case is €1,698–1,928 for tenants and €2,176 for home owners.

The income of a single parent making average wages also contains child benefit and child maintenance allowance. The disposable monthly income of this single-parent household is €2,652 regardless of where they live and whether they are tenants or home owners. The disposable monthly income of a single parent making average wages is €1,840–2,050 for tenants and €2,395 for home owners.

The disposable monthly income of a couple making average wages is €4,695 regardless of where they live or whether they are tenants or home owners. The disposable monthly income after housing costs for couples living in rental housing is €3,862–4,138 depending on where they live. The respective amount for home owners is €4,462.

The income of a household of two parents making average wages and supporting two children consists also of child benefits. The disposable monthly income is €4,907 regardless of where they live or whether they are tenants or home owners. The disposable monthly income after housing costs is €3,876–4,151 for tenants depending on where they live, and €4,581 for home owners.

The children of working parents under school age would most likely attend day care. The calculation does not, however, take municipal day care fees into account. At the earnings level of the example families the monthly day care fees would be €246 for the single-parent household and €283 for the two-parent household.

Table 15. Income formation of an average-earning household with four types of families and four levels of housing costs in 2015 (€/month).

Form of housing	Income item	Single dweller	Single parent, one child	Couple	Couple, two children
	Income from wages	3,340	3,340	6,679	6,679
	Child benefits	0	144	0	202
	Child maintenance allowance	0	155	0	0
	Taxes	992	987	1,985	1,974
	Net income	2,347	2,652	4,695	4,907
Rental dwelling, small municipality	Housing costs	420	602	557	756
	Housing benefits	0	0	0	0
	Social assistance	0	0	0	0
	Disposable income	2,347	2,652	4,695	4,907
	Disposable income after housing costs	1,928	2,050	4,138	4,151
Rental dwelling, medium-sized city	Housing costs	514	690	661	859
	Housing benefits	0	0	0	0
	Social assistance	0	0	0	0
	Disposable income	2,347	2,652	4,695	4,907
	Disposable income after housing costs	1,833	1,962	4,034	4,048
Rental dwelling, Helsinki metropolitan area	Housing costs	650	812	833	1,031
	Housing benefits	0	0	0	0
	Social assistance	0	0	0	0
	Disposable income	2,347	2,652	4,695	4,907
	Disposable income after housing costs	1,698	1,840	3,862	3,876
Owner-occupied dwelling	Housing costs	171	257	233	326
	Housing benefits	0	0	0	0
	Social assistance	0	0	0	0
	Disposable income	2,347	2,652	4,695	4,907
	Disposable income after housing costs	2,176	2,395	4,462	4,581

4.12 Summary of the example calculations

Table 16 (pp. 77–78) presents the disposable incomes of the four example families in different life situations as a share of the disposable income of an average-earning household. Because an average-

earning household is not entitled to any housing allowance, its disposable income before housing costs is the same regardless of where they live or whether they are tenants or home owners. Disposable incomes after housing costs vary depending on housing costs.

The disposable monthly income of a single-dwelling person making average wages is €2,347. The income level of a person receiving minimum parental or sickness allowance or student financial aid (including student loan) is 28–48 percent of the income level of an average-paid worker. The disposable income of a single-dwelling guarantee pension recipient is 36–53 per cent of the income level of an average-paid worker depending on the amount of housing allowance. The disposable income of a single-dwelling person on an average earnings-related pension is 51–63 per cent of the income level of an average-paid worker. Persons on earnings-related pension who live in rental housing are entitled to housing allowance for pensioners. The income of a person who has become unemployed from low-paying employment is 38–49 per cent of the income level of an average-paid worker depending on the amount of housing allowance. The disposable income of a low-earning household is 59–66 per cent of the income of an average-earning household depending on the amount of housing allowance. The low-earning household in the calculations receives housing allowance when living in a rental dwelling.

The disposable monthly income of an average-earning single parent is €2,652. The income level of single parents receiving basic social security is 41–62 per cent of the income level of an average-earning single parent depending on where they live. The disposable income of home owners is the lowest in all basic social security benefits, because their housing benefits are the lowest. When compared with average-paid workers, the lowest income level of persons receiving different social security benefits is that of child home care or minimum sickness allowance recipients (41–62%). The income level of an unemployment allowance recipient is 44–62%. The income of a guarantee pension recipient is 47–62 per cent of the income of an average-paid worker. The income level of a single-parent student is 45–62 per cent of the income level of an average-paid worker, when taking student loan into account. The disposable income of a single-parent on earnings-related unemployment allowance is 52–66 per cent of the income level of an average-paid worker, depending on the amount of housing allowance. The respective income level of a person on earnings-related pension is 59–73 per cent. The income level of a low-earning single parent is 65–79 per cent of the income level of an average-earning single parent.

The disposable monthly income of an average-earning couple is €4,695. The disposable income of a couple receiving minimum sickness allowance is 23–35 per cent of the income of an average-earning couple, depending on where they live, i.e., on how much housing allowance they receive. The income level of a couple receiving basic unemployment allowance is 25–35 per cent of the in-

come level of an average-earning couple. The disposable income of a couple on guarantee pension is 33–40 per cent of the income level of an average-earning couple. The respective income level of a student couple is 34–40 per cent, when taking student loans into account. The income level of a couple receiving basic unemployment allowance is 38–40 per cent of that of an average-earning couple. The income level of a couple receiving earnings-related pension is approximately half (51%) of the income level of an average-earning couple. The respective income level of a low-earning couple is a bit higher (54%).

The monthly income of a household with two average-earning parents and two children is €4,907. The income of a similar household receiving child home care allowance or minimum sickness allowance is 35–50 per cent of the income of an average-earning household, depending on the amount of housing allowance. The income level of a household with two parents and two children depending on basic unemployment allowance is 36–50 per cent of a similar average-paid household. The income level of a similar student family is 38–51 per cent, though the level is a bit higher for students whose studies have begun after August 2014. The disposable income of a household with two parents, who receive earnings-related unemployment allowance and are supporting two children, is 45–54 per cent of the income of an average-earning household, depending on housing costs. The income level of a household with two parents receiving earnings-related pension and supporting two children is 55–62 per cent of the income level of a similar average-earning household. The income of a household comprising two low-earning parents and two children is 60–68 per cent of the income of an average-earning household, depending on where they live.

Table 16. Disposable incomes of households in different life situations compared with the income of an average-earning household in 2015.

Family type	Life situation	Rental dwelling			Owner-occupied dwelling, %
		Small municipality, %	Medium-sized city, %	Helsinki metropolitan area, %	
Single dweller	Unemployed, basic security	39	43	48	30
	Pensioner, basic security	45	48	53	36
	Minimum sickness allowance recipient	39	43	48	28
	Student in higher education	39	43	48	35
	New student in higher education	40	43	48	37
	Unemployed, earnings-related security	44	46	49	38
	Pensioner, earnings-related security	55	58	63	51
	Low-paid worker	62	63	66	59
	Average-paid worker	100	100	100	100

Family type	Life situation	Rental dwelling			Owner-occupied dwelling, %
		Small municipality, %	Medium-sized city, %	Helsinki metropolitan area, %	
Single parent, one child	Unemployed, basic security	54	58	62	44
	Pensioner, basic security	56	58	62	47
	Minimum sickness allowance recipient	54	58	62	41
	Single parent survivor	54	58	62	42
	Student in higher education	54	58	62	45
	New student in higher education	55	58	62	46
	Child home care allowance recipient	54	58	62	41
	Unemployed, earnings-related security	60	63	66	52
	Pensioner, earnings-related security	68	70	73	59
	Low-paid worker	74	76	79	65
	Average-paid worker	100	100	100	100
Couple	Unemployed, basic security	30	32	35	25
	Pensioner, basic security	38	39	40	33
	Minimum sickness allowance recipient	29	32	35	23
	Student in higher education	39	39	39	34
	New student in higher education	40	40	40	35
	Unemployed, earnings-related security	38	38	40	38
	Pensioner, earnings-related security	51	51	51	51
	Low-paid worker	58	58	58	58
	Average-paid worker	100	100	100	100
Couple, two children	Unemployed, basic security	45	47	50	36
	Pensioner, basic security	47	49	51	40
	Minimum sickness allowance recipient	44	46	50	35
	Student in higher education	45	47	50	38
	New student in higher education	46	48	51	39
	Child home care allowance recipient	44	46	50	35
	Unemployed, earnings-related security	49	51	54	45
	Pensioner, earnings-related security	57	59	62	55
	Low-paid worker	63	65	68	60
	Average-paid worker	100	100	100	100

Presented in Table 17 (80–81) are the disposable incomes of example households after housing costs as a share of the income of an average-earning household living in owner-occupied housing. Housing costs are analysed, as before, separately for home owners and on the rent levels of three different areas. The disposable income of a single-dwelling, average-earning tenant is 78–89 per cent of the income of an average-earning home owner, depending on the rent level. Single dwellers who receive basic unemployment allowance, minimum parental allowance, minimum sickness allowance or student financial aid (incl. student loan) are all calculatedly entitled to social assistance. Their income after housing costs is 22 per cent of the income of an average-earning home owner regardless of housing costs. An exception to this are students who have started their studies after August 2014, whose respective income is 24 per cent. The disposable income after housing costs of a single-dwelling guarantee pension recipient is 27–31 per cent of the income level of an average-earning home owner. The disposable income after housing costs of a single dweller on an average earnings-related pension is 25–47 per cent of the income level of an average-earning home owner. The disposable income after housing costs for a person who has become unemployed from low-paying employment is 23–33 per cent of the income level of an average-earning home owner. The disposable income after housing costs for a single-dwelling low-paid worker is 42–55 per cent of the income level of an average-earning home owner, regardless of the rent level or housing maintenance fee.

The disposable income after housing costs of an average-earning single parent household living in rental housing is 77–86 per cent of that of a similar home-owner household depending on the rent level. Recipients of basic unemployment allowance, minimum sickness allowance, survivors' pension from the national pension scheme or single-parent households receiving child home care allowance and single-parent students, who live in rental housing, are calculatedly entitled to social assistance. The income level after housing costs of these benefit recipients is 35 per cent of the income level of an average-earning home owner. An exception to this are students who started their studies after August 2014 and live in rental housing in a small municipality. Student loans are considered part of student financial aid. Single-parent home owners have a slightly higher level of disposable income (36–40 per cent of the level of an average-earning single parent), excluding recipients of child home care allowance and minimum sickness and parental allowances, who are entitled to social assistance also with owner-occupancy housing costs. The income level of a single parent on guarantee pension is 35–42 per cent of the income level of an average-earning home owner, depending on housing costs. A single-parent household receiving earnings-related unemployment allowance has a disposable income after housing costs of 39–47 per cent of the income of a similar average-earning household. The income level after housing costs of a single parent on earnings-related pension is 47–55 per cent and that of a low-earning single parent is 54–61 per cent of the income level of an average-earning single-parent home owner.

Table 17. Disposable income after housing costs relative to the disposable income of an average-paid homeowner household in 2015.

Family type	Life situation	Rental dwelling			Owner-occupied dwelling, %
		Small municipality, %	Medium-sized city, %	Helsinki metropolitan area, %	
Single dweller	Unemployed, basic security	22	22	22	25
	Pensioner, basic security	29	28	27	31
	Minimum sickness allowance recipient	22	22	22	22
	Student in higher education	22	22	22	30
	New student in higher education	24	22	22	32
	Unemployed, earnings-related security	29	26	23	33
	Pensioner, earnings-related security	36	31	25	47
	Low-paid worker	47	45	42	55
	Average-paid worker	89	84	78	100
Single parent, one child	Unemployed, basic security	35	35	35	38
	Pensioner, basic security	37	36	35	42
	Minimum sickness allowance recipient	35	35	35	35
	Single parent survivor	35	35	35	36
	Student in higher education	35	35	35	39
	New student in higher education	36	35	35	40
	Child home care allowance recipient	35	35	35	35
	Unemployed, earnings-related security	42	41	39	47
	Pensioner, earnings-related security	50	49	47	55
	Low-paid worker	57	55	54	61
	Average-paid worker	86	82	77	100
Couple	Unemployed, basic security	19	18	18	21
	Pensioner, basic security	28	27	24	29
	Minimum sickness allowance recipient	18	18	18	19
	Student in higher education	28	26	22	30
	New student in higher education	30	27	23	32

Family type	Life situation	Rental dwelling			Owner-occupied dwelling, %
		Small municipality, %	Medium-sized city, %	Helsinki metropolitan area, %	
	Unemployed, earnings-related security	27	25	23	34
	Pensioner, earnings-related security	41	39	35	48
	Low-paid worker	49	47	43	56
	Average-paid worker	93	90	87	100
Couple, two children	Unemployed, basic security	32	32	32	32
	Pensioner, basic security	34	33	33	35
	Minimum sickness allowance recipient	31	31	31	31
	Student in higher education	32	32	32	33
	New student in higher education	33	33	32	35
	Child home care allowance recipient	31	31	31	31
	Unemployed, earnings-related security	36	36	35	42
	Pensioner, earnings-related security	45	44	44	52
	Low-paid worker	51	51	50	58
	Average-paid worker	91	88	85	100

A household with two average-earning parents and two children, who live in rental housing, has a disposable income after housing costs of 85–91 per cent of the income of a similar home owner household. Households depending on minimum sickness allowance, minimum parental allowances or basic unemployment security with two parents and two children are calculatedly entitled to social assistance regardless of whether they are tenants or home owners. The disposable income of these households is 31–32 per cent of the income of an average-earning similar household. The variation is due to assumptions of different types of households having children of different ages. Of all two-parent households receiving student financial aid, those whose studies have started before August 2014 and who live in a medium-sized city or the Helsinki metropolitan area are entitled to social assistance. Student families with children have a disposable income after housing costs of approximately one third (32–35 per cent) of the income level of a similar average-earning home owner household, depending on when their studies have started and where they live. Student loans have been taken into account in this calculation. The income level of a household with two parents who receive guarantee pension and are supporting two children is approximately one third (33–35 per

cent) of the income level of an average-earning household, depending on where they live. A family with children depending on earnings-related unemployment allowance has a disposable income after housing costs of 35–42 per cent of the same income of a home-owner family with children. The income level after housing costs of a household with two parents and two children receiving earnings-related pension is 44–52 per cent of the income level of the income level of an average-earning household. The respective income of a similar low-earning household is 50–58 per cent.

Compiled in Table 18 (p. 83) are the amounts of calculated social assistance of the example calculations. The housing costs in the example calculations are very reasonable, making it assumable that they would be taken into account in full when determining the amount of basic social assistance. The calculated amount of social assistance is highly dependent on the municipality of residence and its rent level. In the Helsinki metropolitan area the calculated amount of monthly social assistance is €156 for a single-dwelling tenant who receives basic unemployment allowance. The respective social assistance is €86 in a medium-sized city and €30 in a small municipality. Similarly, the calculated amount of monthly social assistance of a single parent receiving child home care allowance and living in rental housing is €323 in the Helsinki metropolitan area, €286 in a medium-sized city, €257 in a small municipality and €144 for home owners.

The only basic social security benefit recipients, who either live alone or are single parents and calculatedly not entitled to social assistance are recipients of national pension. Also, of home owners who either live alone or are single parents, calculatedly entitled to social assistance are recipients of minimum sickness or parental allowances.

Childless couples depending on basic social security benefits are calculatedly entitled to social assistance only when they receive either minimum sickness allowance or basic unemployment allowance and live in rental housing. Two-parent households with children are only calculatedly entitled to social assistance when they receive minimum sickness allowance, basic unemployment allowance or child home care allowance, also when they are home owners.

Table 18. Calculated amounts of social assistance for different types of households in 2015 (€/month).

Family type	Life situation	Rental dwelling			Owner-occupied dwelling
		Small municipality	Medium-sized city	Helsinki metropolitan area	
Single dweller	Unemployed, basic security	30	86	156	0
	Pensioner, basic security	0	0	0	0
	Minimum sickness allowance recipient	104	159	230	19
	Student in higher education	0	95	230	0
	New student in higher education	0	61	197	0
Single parent, one child	Unemployed, basic security	43	73	110	0
	Pensioner, basic security	0	0	24	0
	Minimum sickness allowance recipient	201	231	268	89
	Single-parent survivor	92	122	159	0
	Student in higher education	18	47	84	0
	New student in higher education	0	14	51	0
	Child home care allowance recipient	257	286	323	144
Couple	Unemployed, basic security	0	30	116	0
	Pensioner, basic security	0	0	0	0
	Minimum sickness allowance recipient	64	110	197	0
	Student in higher education	0	0	0	0
	New student in higher education	0	0	0	0
Couple, two children	Unemployed, basic security	120	140	175	46
	Pensioner, basic security	0	0	0	0
	Minimum sickness allowance recipient	323	343	377	249
	Student in higher education	0	11	45	0
	New student in higher education	0	0	0	0
	Child home care allowance recipient	200	220	255	126

5 Development and adequacy of income in example households in 2011–2015

5.1 Background assumptions

This chapter looks into changes in the income level of the example households between 2011 and 2015. The same assumptions and example families are used in the calculations as in Chapter 4 (for assumptions, see Chapter 4.1). The calculations for different years are based on legislation at the end of the year. For 2015, legislative reforms known at the time of writing the report have been taken into account.

For simplicity, these calculations only focus on households living in rental housing in a medium-sized city. The chosen form of housing is more or less reflective of the average situation in Finland. The used baseline for housing costs is still the December 2013 rent level of general housing allowance recipients in different types of families. The level of housing costs is adjusted for 2011 and 2012 by using the annual rent index confirmed by Statistics Finland. The index applies to the whole country and to all rental dwellings. The presumed development of housing costs for 2014 and 2015 is based on the forecast of the Ministry of Finance's budget proposal for 2015 (VM 2014a).

Before 2015, the amount of general housing allowance was affected by the floor area and year of construction of the dwelling. The assumed floor areas of dwellings can be found in Table 4. The dwellings' year of construction is assumed to be 1990. Similarly, before 2015 pensioner households with children were entitled to general housing allowance or housing allowance for pensioners. In these cases the type of housing allowance has been optimised, which means that the housing allowance yielding a greater sum has been chosen. From 2015, pensioner families with children have only been entitled to general housing allowance.

Some further assumptions have been made regarding the development of different items of income and costs. The levels of earnings from salaries and wages and earnings-related pensions for 2011–2015 have been formed from the 2013 levels by adjusting them with earnings-related pension indices. The earnings levels of 2014 and 2015 have been assumed to develop as forecasted by the Ministry of Finance (VM 2014b).

Chapters 5.2 and 5.3 look at the real development of items of income, i.e., the items of income are adjusted with rises in consumer prices with the consumer-price index. The indices used and their annual changes are presented in Table 19 (p. 85).

Table 19. Indices used in the calculations and changes in them in 2012–2015 (%).

Index	Objective of use	Change from previous year		
		2012	2013	2014
Rent level index ^a	Housing costs	3.8	3.7	3.7
Earnings-related pension index ^b	Earnings-related pensions	3.6	2.8	1.4
Earnings-level index ^c	Income from salary and wages	3.2	2.1	1.4
Consumer price index ^c	Prices	2.8	1.4	1.5

Sources: ^aForecast (VM 2014a), ^bVM 2014, ^cforecast (VM 2014b).

5.2 Development of household income relative to prices in 2011–2015

We will now look at the development of the example households' income relative to the development of prices. The analyses will be done both before and after housing costs. Table 20 (p. 86–87) shows the real development of the disposable incomes of the example households of Chapter 4 before housing costs in 2011–2015. The assumed housing type is a rental flat in a medium-sized city. The assumptions of the calculations for 2014 and 2015 regarding the development of inflation, rent level and earnings level are based on forecasts of the Ministry of Finance.

Example households depending on basic social security benefits experienced a change in disposable real income before housing costs between –1 and +12 per cent in 2011–2015. Respectively, the real income before housing costs of an average-earning household declined by one per cent. The real income of a low-earning household increased by 1–10 per cent in 2011–2015.

Single-dwelling recipients of basic unemployment allowance, minimum parental or sickness allowance or student financial aid (students in higher education) have had an increase of 9 per cent in their real income since 2011. The real income of a single-dwelling guarantee pension recipient has risen less, four per cent. However, the disposable income of a single-dwelling average-paid worker has declined a bit (–1%), but the real income of a single-dwelling low-paid worker has increased by 10 per cent since 2011. The real income of a single-dwelling recipient of an average earnings-related pension has increased by five per cent and that of a recipient of earnings-related unemployment allowance from low-paying employment by nine per cent.

Single parents, who receive basic unemployment allowance, child home care allowance or minimum parental or sickness allowance, have experienced a 12 per cent increase in their real income since 2011. The income of a single-parent student has increased by nine per cent, when student loan is taken into account. The real income of a single parent, who receives spouse's pension, has risen sev-

en per cent and that of a single-parent, who receives earnings-related pension, has risen five per cent, but the income of a single parent on guarantee pension has declined by one per cent. Similarly, the disposable real income of an average-earning single parent has declined by one per cent. The real income of a low-earning single parent has increased by 10 per cent and that of a recipient of earnings-related unemployment allowance by eight per cent since 2011.

Childless couples receiving basic unemployment allowance or minimum sickness allowance have experienced a nine per cent increase in their real income since 2011. The disposable income of a student couple, who have started their studies before August 2014, has risen by six per cent. The income of new students has risen by 10 per cent respectively. The income of a couple receiving either guarantee or earnings-related pension has increased by three per cent. Recipients of earnings-related unemployment allowance have had an increase of eight per cent in their disposable real income. The disposable income of an average-earning couple has declined by one per cent and that of low-earning couples has increased by one percent.

Two-parent families with children on minimum sickness or parental allowance, child home care allowance or basic unemployment allowance have had a nine per cent increase in their real income since 2011. The disposable income of a student household comprising two parents and two children has risen by 8–11 per cent. The disposable income of a similar household receiving national pension has risen by four per cent and that of a household receiving earnings-related unemployment pension by six per cent. The disposable real income of a low-earning family with children has increased by eight per cent and that of an average-earning family with children has declined by one per cent.

Table 20. Example households' disposable incomes and their real development in 2011–2015 (2011 = 100). The assumed type of housing is a rental dwelling in a medium-sized city.

Family type	Life situation	Income in euros	Real development			
		2011, €/month	2011	2012	2013	2014
Single dweller	Unemployed, basic security	864	100	104	106	107
	Pensioner, basic security	1,021	100	101	102	103
	Minimum sickness allowance recipient	864	100	104	106	107
	Student in higher education	864	100	104	106	107
	New student in higher education	864	100	104	106	107
	Unemployed, earnings-related security	931	100	108	109	109
	Pensioner, earnings-related security	1,227	100	102	103	103
	Low-paid worker	1,278	100	102	102	103
	Average-paid worker	2,220	100	100	100	99

Family type	Life situation	Income in euros	Real development			
		2011, €/month	2011	2012	2013	2014
Single parent, one child	Unemployed, basic security	1,280	100	108	110	111
	Pensioner, basic security	1,461	100	101	102	103
	Minimum sickness allowance recipient	1,280	100	108	110	111
	Single-parent survivor	1,341	100	103	105	106
	Student in higher education	1,320	100	104	107	108
	New student in higher education	1,320	100	104	107	109
	Child home care allowance recipient	1,280	100	108	110	111
	Unemployed, earnings-related security	1,449	100	106	106	107
	Pensioner, earnings-related security	1,667	100	102	103	104
	Low-paid worker	1,725	100	104	104	104
	Average-paid worker	2,510	100	100	100	100
Couple	Unemployed, basic security	1,284	100	106	107	108
	Pensioner, basic security	1,684	100	101	102	103
	Minimum sickness allowance recipient	1,284	100	104	107	107
	Student in higher education	1,599	100	97	96	107
	New student in higher education	1,599	100	97	96	111
	Unemployed, earnings-related security	1,561	100	107	107	108
	Pensioner, earnings-related security	2,184	100	102	102	102
	Low-paid worker	2,556	100	102	101	101
	Average-paid worker	4,440	100	100	100	99
Couple, two children	Unemployed, basic security	1,992	100	105	107	108
	Pensioner, basic security	2,156	100	101	102	103
	Minimum sickness allowance recipient	1,963	100	105	107	108
	Student in higher education	2,002	100	104	106	108
	New student in higher education	2,002	100	104	106	111
	Child home care allowance recipient	1,963	100	105	107	108
	Unemployed, earnings-related security	2,148	100	105	105	105
	Pensioner, earnings-related security	2,568	100	102	102	103
	Low-paid worker	2,767	100	102	101	101
	Average-paid worker	4,651	100	100	100	99

Table 21 (pp. 89–90) contains example calculations of the real development of households' disposable income after housing costs in 2011–2015. The assumed housing type is a rental dwelling in a medium-sized city. The disposable income after housing costs of households relying on basic social security benefits has had a real increase of 1–16 per cent since 2011, with the exception of single parents receiving guarantee pension, whose income has declined by seven per cent. Average-earning

households have experienced a 2–4 per cent decline in their disposable real income after housing costs. Low-earning households, on the other hand, have experienced an 8–11 per cent increase in income, except for childless couples, whose income level has declined by one percent.

A single-dwelling recipient of basic unemployment allowance, minimum sickness allowance or student financial aid has had a nine per cent increase in disposable income after housing costs since 2011. The disposable income after housing costs of a single-dwelling national pension recipient has had a real increase of one per cent and an earnings-related pension recipient a real increase of two per cent. The income of an average-earning single dweller has declined by three per cent and the income of a low-earning single dweller has increased by ten per cent. Recipients of earnings-related unemployment allowance from low-paying employment have had a ten per cent increase in income.

There has been a real increase of 16 per cent since 2011 in the disposable income after housing costs of single-parent households receiving basic unemployment allowance, child home care allowance or minimum parental allowance. Single-parent students have experienced a nine per cent increase in their disposable income (incl. student loan) after housing costs. The real income of persons who receive spouse's pension from the national pension scheme has increased by six per cent, but the income of single parents who receive national pension (guarantee pension) has declined by seven per cent. The increase in income of earnings-related pension recipients has been three per cent. The real income after housing costs of an average-earning single parent has declined by four per cent and that of a low-earning single parent has increased by 11 per cent.

The disposable income after housing costs has increased by nine per cent since 2011 for childless couples receiving basic unemployment security or minimum sickness allowance. Couples receiving national pension have experienced a one per cent increase in disposable income after housing costs and student couples a 5–11 per cent increase depending on when their studies have commenced. Couples receiving earnings-related unemployment allowance have had an eight per cent increase in income. The disposable real income after housing costs of couples receiving earnings-related pension has increased slightly (1%). Low- and average-earning couples have experienced a 1–2 per cent decline in their disposable income after housing costs.

Two-parent families with children, who receive basic unemployment allowance, minimum sickness or parental allowance or child home care allowance, have had a nine per cent real increase in their income after housing costs. The income of student families with children has increased by 8–12 per cent. A family with children receiving earnings-related pension has had a five per cent increase in income. Low-earning families with children have had an eight per cent increase in their income after housing costs and average-earning families have had a three per cent decline.

The exceptional income development of low-earning families with children in 2015 is due to reforms in housing allowance, which favour families with children, and the exempt amount of earnings when determining the amount of housing allowance.

Table 21. Example households' disposable incomes after housing costs and their real development in 2011–2015 (2011 = 100). The assumed type of housing is a rental dwelling in a medium-sized city.

Family type	Life situation	Income in euros	Real development				
		2011, €/month	2011	2012	2013	2014	2015
Single dweller	Unemployed, basic security	419	100	107	109	109	109
	Pensioner, basic security	576	100	101	102	101	101
	Minimum sickness allowance recipient	419	100	107	109	109	109
	Student in higher education	419	100	107	109	109	109
	New student in higher education	419	100	107	109	109	109
	Unemployed, earnings-related security	486	100	114	114	113	110
	Pensioner, earnings-related security	782	100	102	102	102	102
	Low-paid worker	833	100	102	102	102	110
	Average-paid worker	1,775	100	100	99	98	97
Single parent, one child	Unemployed, basic security	683	100	114	116	115	116
	Pensioner, basic security	864	100	101	101	101	93
	Minimum sickness allowance recipient	683	100	114	116	115	116
	Single-parent survivor	744	100	104	106	106	106
	Student in higher education	723	100	107	110	109	109
	New student in higher education	723	100	107	110	113	109
	Child home care allowance recipient	683	100	114	116	115	116
	Unemployed, earnings-related security	853	100	109	108	107	107
	Pensioner, earnings-related security	1,070	100	103	103	102	103
	Low-paid worker	1,128	100	105	104	103	111
	Average-paid worker	1,913	100	100	99	98	96
Couple	Unemployed, basic security	712	100	111	111	111	109
	Pensioner, basic security	1,112	100	101	102	101	101
	Minimum sickness allowance recipient	712	100	107	109	109	109
	Student in higher education	1,027	100	95	92	108	105
	New student in higher education	1,027	100	95	92	114	111
	Unemployed, earnings-related security	989	100	110	109	109	108
	Pensioner, earnings-related security	1,612	100	102	102	101	101
	Low-paid worker	1,984	100	102	100	99	99
	Average-paid worker	3,868	100	100	99	98	98

Family type	Life situation	Income in euros	Real development				
		2011, €/month	2011	2012	2013	2014	2015
Couple, two children	Unemployed, basic security	1,249	100	107	109	109	109
	Pensioner, basic security	1,413	100	101	102	101	101
	Minimum sickness allowance recipient	1,220	100	107	109	109	109
	Student in higher education	1,259	100	106	108	110	108
	New student in higher education	1,259	100	106	108	115	112
	Child home care allowance recipient	1,220	100	107	109	109	109
	Unemployed, earnings-related security	1,405	100	107	106	105	110
	Pensioner, earnings-related security	1,825	100	102	102	102	105
	Low-paid worker	2,024	100	102	100	99	108
	Average-paid worker	3,908	100	100	99	98	97

5.3 Development of household income relative to average wages in 2011–2015

In this chapter we will compare the development of the example households' income with average-earning households. The assumed form of housing is, again, a rental dwelling in a medium-sized city. Presented in Table 22 (pp. 92–93) are the level and development of the example families' disposable income relative to the income of similar, average-earning households in 2011–2015. The average monthly wages for full-time employment are estimated to be €3,340 in 2015.

The income level of a single dweller, who depends on basic unemployment allowance, minimum sickness allowance or student financial aid (incl. student loan), is 43 per cent of the income level of a single-dwelling average-paid worker in 2015. The gap between these two income levels has narrowed by approximately four percentage points since 2011. The respective income level of a single-dwelling guarantee pension recipient is 48 per cent. This share has increased by two percentage points. A recipient of earnings-related pension has an income level of 58 per cent of the income level of an average-paid worker. There has been a three percentage point increase in this share. The income level of a single-dwelling low-paid worker is 63 per cent of the income level of a single-dwelling average-paid worker. This share has had a five percentage point increase since 2011. A single dweller, who has become unemployed from low-paying employment, has an income level of 46 per cent of the income level of an average-paid worker. This percentage has increased by four points since 2011.

A single parent receiving basic unemployment allowance, minimum sickness or parental allowance, national pension, spouse's pension from Kela, child home care allowance or student financial aid has an income level of 58 per cent of the income level of an average-earning single parent in 2015.

The share has increased by 4–7 percentage points since 2011, with the exception of guarantee pension recipients, whose income level has not changed relative to average-earning workers. The income level before housing costs of a single parent receiving earnings-related pension is 70 per cent of the income level of an average-paid worker. The share has gone up by four percentage points during the analysis period. A low-earning single parent's income level is 76 per cent of the income level of an average-earning single parent. This share has increased by seven percentage points. A single-parent, who receives earnings-related unemployment allowance from low-paying employment, has an income level of 63 per cent of the income level of an average-paid worker. The percentage has increased by five points since 2011.

The income level of a couple receiving basic unemployment allowance or minimum sickness allowance is 32 per cent of the income level of an average-earning couple. There has been a three percentage point increase in the share. A household of two guarantee pension recipients has an income level of 39 per cent of the income level of a similar, average-earning household. During the analysis period there has been a one percentage point increase in the share. A household of two students receiving student financial aid (incl. student loans) has an income level of 39–40 per cent of the income level of an average-earning couple. The share has increased by 3–4 percentage points since 2011. The income level of a couple receiving earnings-related pension is 51 per cent of the income level of an average-earning couple. There has been a two percentage point increase in the share. A low-earning couple's income level is 58 per cent of the income level of an average-earning couple. There have been no changes in the share during the analysis period. The income level of a couple receiving earnings-related unemployment allowance (from low-paying employment) is 38 per cent of the income level of an average-earning couple. The share has increased by three percentage points since 2011.

A family with children receiving basic unemployment allowance, minimum sickness or parental allowance or student financial aid, has an income level of 46–47 per cent of the income level of an average-earning family with children. There has been a four percentage point increase in this share since 2011. A two-parent family with children receiving child home care allowance has an income level of 46 per cent of the income level of an average-earning family with children. This share has gone up by four percentage points. A two-parent family depending on earnings-related pension has an income level of 59 per cent of the income level of an average-earning family with children. A four percentage point increase has taken place in the share. The income level of a low-earning two-parent family with children is 65 per cent of the income level of an average-earning two-parent family with children. This share has had a six percentage point increase since 2011. A two-parent family depending on earnings-related unemployment allowance has an income level of 51 per cent of the income level of a similar, average-earning household. The share has increased by five percentage points.

Table 22. Example households' disposable income relative to similar, average-earning families' disposable income in 2011–2015. The assumed type of housing is a rental dwelling in a medium-sized city.

Family type	Life situation	2011, %	2012, %	2013, %	2014, %	2015, %
Single dweller	Unemployed, basic security	39	40	41	42	43
	Pensioner, basic security	46	46	47	48	48
	Minimum sickness allowance recipient	39	40	41	42	43
	Student in higher education	39	40	41	42	43
	New student in higher education	39	40	41	42	43
	Unemployed, earnings-related security	42	45	46	46	46
	Pensioner, earnings-related security	55	56	57	58	58
	Low-paid worker	58	58	59	60	63
	Average-paid worker	100	100	100	100	100
Single parent, one child	Unemployed, basic security	51	55	56	57	58
	Pensioner, basic security	58	59	59	60	58
	Minimum sickness allowance recipient	51	55	56	57	58
	Single-parent survivor	53	55	56	57	58
	Student in higher education	53	55	56	57	58
	New student in higher education	53	55	56	58	58
	Child home care allowance recipient	51	55	56	57	58
	Unemployed, earnings-related security	58	61	61	62	63
	Pensioner, earnings-related security	66	68	69	69	70
	Low-paid worker	69	71	71	72	76
	Average-paid worker	100	100	100	100	100
Couple	Unemployed, basic security	29	31	31	32	32
	Pensioner, basic security	38	38	39	39	39
	Minimum sickness allowance recipient	29	30	31	31	32
	Student in higher education	36	35	35	39	39
	New student in higher education	36	35	35	40	40
	Unemployed, earnings-related security	35	37	38	38	38
	Pensioner, earnings-related security	49	50	50	51	51
	Low-paid worker	58	58	58	58	58
	Average-paid worker	100	100	100	100	100

Family type	Life situation	2011, %	2012, %	2013, %	2014, %	2015, %
Couple, two children	Unemployed, basic security	43	45	46	46	47
	Pensioner, basic security	46	47	47	48	49
	Minimum sickness allowance recipient	42	44	45	46	46
	Student in higher education	43	45	46	47	47
	New student in higher education	43	45	46	48	48
	Child home care allowance recipient	42	44	45	46	46
	Unemployed, earnings-related security	46	48	49	49	51
	Pensioner, earnings-related security	55	56	57	57	59
	Low-paid worker	59	60	60	60	65
	Average-paid worker	100	100	100	100	100

Table 23 (pp. 95–96) contains the level and development of the example families' disposable income after housing costs relative to the income of similar, average-earning example households in 2011–2015. Housing costs and allowances are determined for a rental flat in a medium-sized city.

Single dwellers receiving basic unemployment allowance, minimum sickness allowance or student financial aid (incl. student loan) have an income level of 27 per cent of the income level of an average-earning single dweller in 2015. The share has increased by three percentage points since 2011. The income level of single dwellers receiving guarantee pension is 34 per cent. The share has increased by two percentage points. A recipient of earnings-related pension has an income level of 46 per cent of the income level of an average-paid worker. There has been a two percentage point increase in the share. A low-earning single dweller's income level is 53 per cent of the income level of an average-earning single dweller. The share increased by six percentage points. A single dweller, who receives earnings-related unemployment allowance from low-paying employment, has an income level of 31 per cent of the income level of an average-paid worker. The percentage has increased by four points since 2011.

A single parent on basic unemployment allowance, minimum sickness or parental allowance, national or spouse's pension, child home care allowance or student financial aid, has an income level of 43 per cent of the income level of an average-earning single parent in 2015. The share has gone up by 4–7 percentage points since 2011, with the exception of national pension recipients. The income level before housing costs of a single parent, who receives earnings-related pension, is 60 per cent of the income of an average-paid worker. A four percentage point increase has occurred during the analysed period. A low-earning single parent's income level is 68 per cent of the income level of an average-earning single parent. This share has increased by nine percentage points. The income

level of a single parent on earnings-related unemployment allowance is 50 per cent of the income level of an average-earning worker. The share has risen by five percentage points since 2011.

The income level of a couple receiving basic unemployment allowance or minimum sickness allowance is 20 per cent of the income level of an average-earning couple. There has been a two percentage point increase in the share. The income level of a couple on guarantee pension is 29 per cent of the income level of an average-earning couple. There has been no change in the share during the period analysed. A household of two students receiving student financial aid (incl. student loan) has an income level of 28–30 percent of the income level of an average-earning couple. This share has increased by 2–3 percentage points. A couple receiving earnings-related pension has an income level of 43 per cent of the income level of an average-earning couple. There has been a one percentage point increase in this share since 2011. The income level of a low-earning couple is 52 per cent of the income level of an average-earning couple. The share has increased by one percentage point. A couple receiving earnings-related unemployment allowance has an income level of 28 per cent of the income level of an average-earning couple. The increase in this share since 2011 has been two percentage points.

A two-parent family with children on basic unemployment allowance or student financial aid has an income level of 36–37 per cent of the income level of a similar, average-earning family. There has been a 4–5 percentage point increase since 2011. A two-parent family with children depending on minimum sickness allowance or child home care allowance has an income level of 35 per cent of the income level of a similar, average-earning family. This share has gone up by four percentage points. The income level of a two-parent family with children receiving earnings-related pension is 50 per cent of the income level of a similar, average-earning family. A three percentage point increase has occurred in this share. A low-earning family with children has an income level of 57 per cent of the income level of an average-earning family with children. There has been a five percentage point increase since 2011. Finally, a two-parent family with children depending on earnings-related unemployment allowance has an income level of 41 per cent of the income level of an average-earning family. The percentage has increased by five points since 2011.

Table 23. Example households' disposable income after housing costs relative to similar, average-earning households' income in 2011–2015 (%). The assumed type of housing is a rental dwelling in a medium-sized city.

Family type	Life situation	2011, %	2012, %	2013, %	2014, %	2015, %
Single dweller	Unemployed, basic security	24	25	26	26	27
	Pensioner, basic security	32	33	33	34	34
	Minimum sickness allowance recipient	24	25	26	26	27
	Student in higher education	24	25	26	26	27
	New student in higher education	24	25	26	26	27
	Unemployed, earnings-related security	27	31	31	32	31
	Pensioner, earnings-related security	44	45	46	46	46
	Low-paid worker	47	48	48	49	53
	Average-paid worker	100	100	100	100	100
Single parent, one child	Unemployed, basic security	36	40	42	42	43
	Pensioner, basic security	45	45	46	47	43
	Minimum sickness allowance recipient	36	40	42	42	43
	Single-parent survivor	39	40	42	42	43
	Student in higher education	38	40	42	42	43
	New student in higher education	38	40	42	44	43
	Child home care allowance recipient	36	40	42	42	43
	Unemployed, earnings-related security	45	48	49	49	50
	Pensioner, earnings-related security	56	58	58	59	60
	Low-paid worker	59	62	62	63	68
	Average-paid worker	100	100	100	100	100
Couple	Unemployed, basic security	18	20	21	21	20
	Pensioner, basic security	29	29	29	30	29
	Minimum sickness allowance recipient	18	20	20	20	20
	Student in higher education	27	25	25	29	28
	New student in higher education	27	25	25	31	30
	Unemployed, earnings-related security	26	28	28	28	28
	Pensioner, earnings-related security	42	42	43	43	43
	Low-paid worker	51	52	52	52	52
	Average-paid worker	100	100	100	100	100

Family type	Life situation	2011, %	2012, %	2013, %	2014, %	2015, %
Couple, two children	Unemployed, basic security	32	34	35	35	36
	Pensioner, basic security	36	36	37	37	38
	Minimum sickness allowance recipient	31	33	34	35	35
	Student in higher education	32	34	35	36	36
	New student in higher education	32	34	35	38	37
	Child home care allowance recipient	31	33	34	35	35
	Unemployed, earnings-related security	36	38	38	38	41
	Pensioner, earnings-related security	47	48	48	48	50
	Low-paid worker	52	53	52	52	57
	Average-paid worker	100	100	100	100	100

5.4 Development of calculated social assistance in the model families

This chapter looks at how the example families' calculated eligibility for basic social assistance has changed in 2011–2015. The calculated amount of social assistance is determined with the assumption that, in addition to basic social assistance, a household has no other compensated expenses than housing costs of a rental dwelling in a medium-sized city, which are accepted in full.

Presented in Table 24 (p. 97) are the calculated amounts and development of social assistance for the example families receiving basic social security benefits and for students in higher education. The calculated amount of social assistance has increased in most example families between 2011 and 2015. The main reason for this is that housing costs have risen more rapidly than the level of housing allowance, shifting the compensation of housing costs more and more to social assistance. Additionally, a level increase in social assistance in 2012 and a better index adjustment than in other benefits in 2015 have expanded dependence on social assistance.

However, the calculated amount of social assistance has not increased in all life situations of the example calculations. The table shows that the 2012 increase in unemployment security significantly decreased the calculated amount of social assistance for unemployed households. Unemployed couples became ineligible for social assistance altogether until 2015. In single-parent households the increase in basic unemployment allowance cannot be seen as a decrease in calculated social assistance, because the single parent increase of social assistance came into force in 2012.

Pensioners receiving basic social security benefits were calculatedly not entitled to social assistance during the period 2011–2015. Households receiving minimum sickness or parental allowances and child home care allowance are entitled to far greater amounts of social assistance than others. Dependence on social assistance has also increased among these households during the period 2011–2015. The biggest increase in dependence on social assistance has occurred with single parents, which is mostly due to the introduction of the single parent increase in 2012.

Table 24. Calculated amount of social assistance (€/month) in the example families in 2011–2015 in the price level of 2015. The assumed type of housing is a rental dwelling in a medium-sized city.

Family type	Life situation	2011	2012	2013	2014	2015	Change, €
Single dweller	Unemployed, basic security	103	43	52	51	86	–17
	Pensioner, basic pension	0	0	0	0	0	0
	Minimum sickness allowance	103	121	126	125	159	+56
	Student in higher education	68	127	159	74	95	+27
	New student in higher education				40	61	–7
Single parent with one child	Unemployed on basic security	17	21	37	43	73	+56
	Pensioner on basic pension	0	0	0	0	0	0
	Minimum sickness allowance	101	183	197	202	231	+130
	Recipient of spouse's continuing pension	0	27	37	41	122	+122
	Student in higher education	0	72	103	7	47	+47
	New student in higher education				0	14	+14
	Child home care allowance recipient	156	239	256	257	286	+130
Couple	Unemployed on basic security	80	0	0	0	30	–50
	Pensioner on basic pension	0	0	0	0	0	0
	Minimum sickness allowance	80	66	71	69	110	+30
	Student in higher education	0	0	0	0	0	0
	New student in higher education				0	0	0
Couple with two children	Unemployed on basic security	203	139	169	175	140	–63
	Pensioner on basic pension	0	0	0	0	0	0
	Minimum sickness allowance	334	368	390	395	343	+7
	Student in higher education	0	117	170	0	11	+11
	New student in higher education				0	0	0
	Child home care allowance recipient	255	237	263	269	220	–35

There was an increase in the dependence on social assistance of students in higher education in 2012 and 2013, which is explained by both increases in social assistance and the fact that student financial aid was not linked to index before 2014. In 2014, students in higher education were less dependent on social assistance due to an increase in student loan, since even when a student loan is not taken out, it is considered as income when determining social assistance. This increase also meant that single-parent students were no longer calculatedly entitled to social assistance. Also, new students receive a higher amount of study grant, which somewhat decreased their calculated social assistance.

5.5 Adequacy of household income in relation to reference budgets

The adequacy of minimum social security was first evaluated in the 1990s in a project on the level of minimum social security carried out by the National Research and Development Centre for Welfare and Health (Stakes) and the Consumer Society Research Centre (Aatola and Viinisalo 1999). Aatola and Viinisalo created a needs-budget at the time on the basis of basic necessities and households' ordinary activities (Forma et al. 1999). The purpose of the needs-budget was to make tangible, through examples, what money can buy and how much money is required to maintain a certain defined level of consumption, or, in other words, to show how much it costs to achieve a reasonable minimum level of consumption. According to Aatola and Viinisalo, the level of minimum social security should at least include household appliances owned by three fourths of all households.

Necessary consumption is dependent on life situation, time, place and culture. Necessary consumption also changes over time. Nowadays consumption is considered to be more than just satisfying basic needs. In the late 1990s eating at restaurants, owning a dishwasher, computer, mobile phone, stereo or a VHS recorder or having an Internet connection were considered luxuries. In 1995, housing goods deemed as necessary were having a modern flat and owning a washing machine, vacuum cleaner, telephone and a freezer (Kangas and Ritakallio 1996). Kosunen (1999) defined, by using Statistics Finland's consumption research data, necessary consumption with the help of distribution indicators based on Gini and concentration coefficients and by evaluating the shares of consumption expenditures of low-income and low-expenditure households in different categories of goods in the late 1990s. In her research, Kosunen found necessary consumption to be expenses from housing, nutrition, and health care and luxury consumption to be expenses from purchasing a car, eating in restaurants, travelling and purchasing clothes and footwear. By the 2010s, many luxury items of the 1990s, such as mobile phones, computers, access to the Internet or travelling, have become necessary consumption.

Today, necessary consumption includes satisfying different social and cultural needs more than before. Reference budgets are constructed on the basis of today's consumption and available consumer goods. The purpose of reference budgets is to describe the goods needed in modern life and the amounts of goods needed for securing households with the ability to function in modern society (Hirsch 2009). Saunders (1998) defines budgets as a tool for evaluating, through material goods, the needs of a particular type of household to obtain a particular standard of living in a particular place and point in time. Defining necessary consumption focuses on the material aspect of well-being, instead of psychological or subjective aspects. Choosing goods for the basket is not the main intention, but the basket is rather to be seen as a method of evaluating the costs of living at a certain consumption or income level (Borgeraas and Dahl 2008). Choosing the goods is but a tool in determining the level of income or consumption. The goods are examples of a particular level of consumption, but they may well be replaced with alternative goods. In constructing the budgets, the aim is to separate actual needs and wants and to focus on everyday activities to ensure the household's ability to function in different stages of life. Budgets may be constructed for different households, even though it is known that similar households have different preferences and ways of action. A reference budget is, as the term suggests, referential. Its goal is not to indicate how people should consume. Instead, it indicates how much it costs to acquire the goods and services needed in regular life during a particular time span, for instance one month. Reference budgets are quite sparse compared to the way modern people consume and live (Lehtinen et al. 2010).

In addition to Finland, many countries both within and outside Europe are in the process of creating reference budgets either independently or coordinated and funded by the European Union. Reasons for the interest towards reference budgets have been increases in poverty and social exclusion in Europe, but also deficiencies in income and poverty indicators used in deciding upon different income transfers. Critique has mainly been directed at the definition of the poverty line, as the definition used—60 per cent of median income—does not adequately describe the situation of those under the poverty line. A matter being debated is what kinds of necessary costs of living should be considered in households' different stages of life when deciding upon income transfers. The European Union is also currently funding a project of unifying the ways in which reference budgets are constructed.

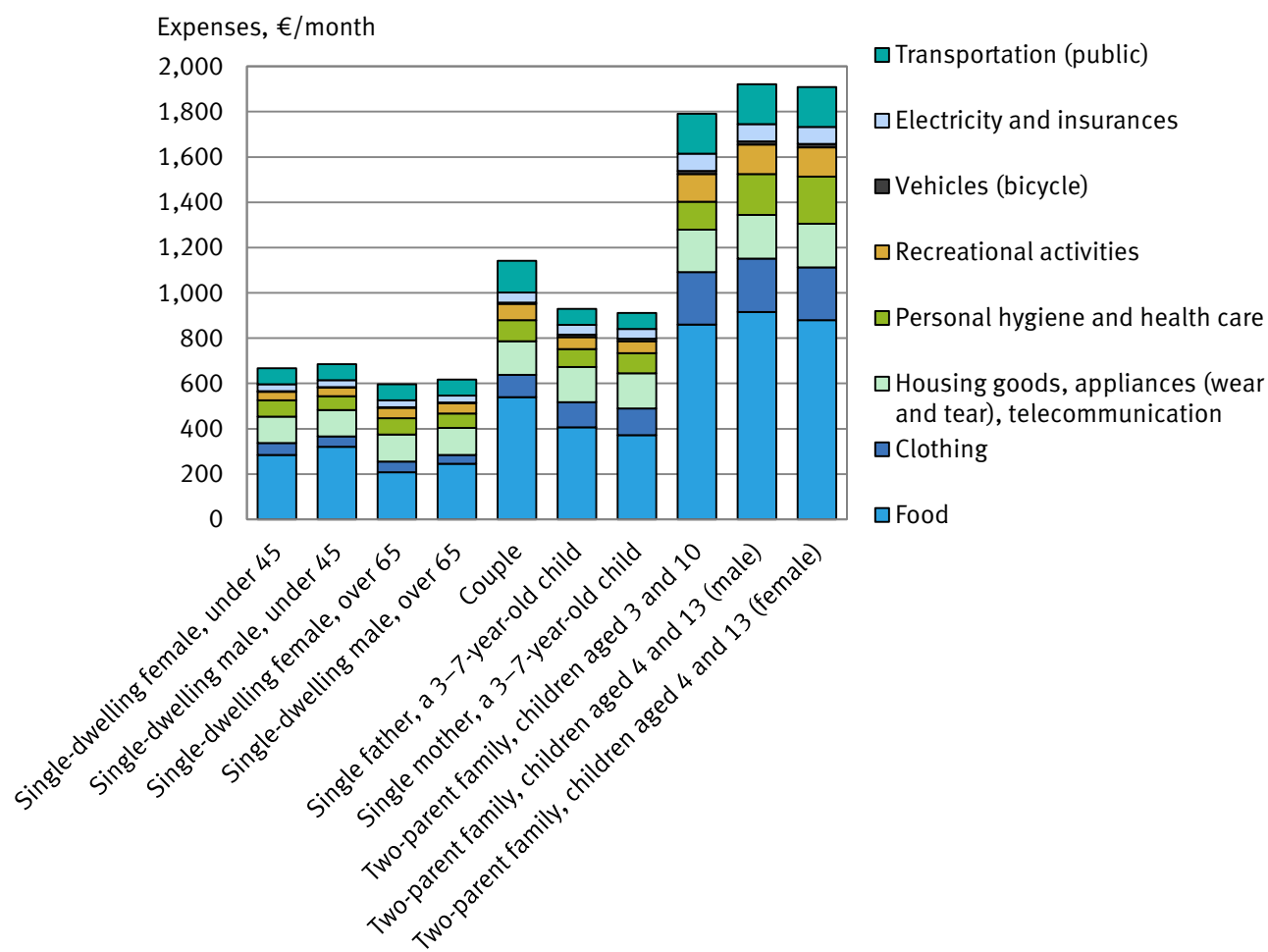
In 2010, the Consumer Society Research Centre defined, with reference budgets, the reasonable minimum level of consumption, upon which a person can live and participate in society (Lehtinen et al. 2010). In the reference budgets, consumption was made tangible through a list of goods, or a so-called goods basket. The goods basket covers the basic needs of living and the goods required for the activities to satisfy said needs. In 2013, the reference budget sums were updated and the number of reference budget households was increased and budgets were constructed for several types of

households: single-dwelling young man, single-dwelling young woman, single-dwelling elderly man, single-dwelling elderly woman, childless middle-aged couple, two-parent family with two children, two-parent family with three children and single-parent family with two children (Lehtinen and Aalto 2014). Reference budgets of the Consumer Society Research Centre were constructed by using the consensual method (see Lehtinen et al. 2010). The following example calculations compare the income level of model families with the Consumer Society Research Centre's reference budgets (updated in 2014).

Figure 16 (p. 101) portrays the reasonable minimum reference budgets for the household types by consumption expenditure categories. The reference budgets take into account typical needs of different household types in different consumption expenditure categories. The reference budgets contain goods and services with different life cycles. The costs of services, disposable goods and goods with a life cycle of no more than one year were calculated by multiplying item prices with the number of goods needed annually in the household. The purchasing prices of durable goods were not included in the budget as such, but a value for annual wear and tear was calculated and only this amount was included. Wear and tear was calculated by dividing the purchase price with the item's expected life cycle. Separate reference budgets have been constructed for single-dwelling men and women of different ages (under 45 and over 65) and they are used in the comparison tables.

Food takes up most of the consumption, when housing costs are not considered. Reference budgets are based upon the notion that, regardless of income level, people should have an opportunity to have proper nutrition. The food budgets of the employed contain for weekdays a sum equivalent to the tax value of employer-provided meals (€6.10 in 2014; Verohallinto 2014). Those over the age of 65 prepare and enjoy all their meals at home. An amount has been set aside for all households to eat out twice a month. The amount is equivalent to the price of a so-called pizza meal. Vacation periods are factored into the annual calculations by replacing employer-provided meals with meals prepared at home. All annual holidays are recognised with adding 10 per cent to the food expenses calculated from the costs of preparing food at home for a year.

Figure 16. Reference budgets for different types of households (without housing costs) in 2014.



Source: Lehtinen and Aalto 2014 / own calculations.

The basic inventory of the reference budget contains more items of clothing for women than for men, which is why women have a larger clothing budget than men. Because children grow, the life cycle of children's clothing is shorter than that of adults' clothing, and so growing teenagers have large costs of clothing and footwear. Elderly persons are thought to have clothing with longer life cycles than others, which is why their clothing budgets are smaller than younger people. Men and teenagers spend a little more on food than women do, because they have a larger nutritional requirement than women. Women, on the other hand, spend more on personal hygiene items than men. The biggest single expenditure of household goods and appliances are different communication costs, which account for half of the expenditure. Communication costs include a newspaper subscription, mobile phone costs and an Internet connection. Everyone over the age of seven has a mobile phone and all households have a laptop computer. Having access to the Internet is necessary, since households are required to use more and more services online, for instance bank services and services of different authorities. Monthly expenses for transportation are costs of cycling and public transportation either in the Helsinki metropolitan area or outside the metropolitan area based on the place of residence. In this re-

port, the example calculations for the model families use average costs of public transportation outside the Helsinki metropolitan area. Costs of owning a car are not included in the comparisons.

In the 1980s, when the basic part of social assistance was crafted, reference budgets were used, and the Ministry of Health and Social Affairs' manual for applying the act on social assistance (STM 2001) presented calculated grounds, based on consumption research, for the amount of basic social assistance and the shares of items of expenditure. The amount of basic social assistance is a calculated assumption on how large the expenses are for a minimum household consumption level. Thus, applicants are not required to report how they spend basic social assistance. Basic social assistance covers basic consumption, i.e., costs of food, clothing, information and health care as well as some other expenses (see Chapter 3.1.7). The biggest difference between reference budgets and expenses covered by social assistance are durable consumer goods, which are factored into the budgets for wear and tear, but in social assistance they are considered either other expenses or goods for which complementary assistance is needed. Reference budgets and social assistance include only a small amount of health care and hygiene costs. The share of health care costs in the reference budgets is approximately six per cent, when in social assistance their share is three per cent.

Table 25 (pp. 103–104) shows how large a share of the expenses of the reference budget the model families are able to cover with their disposable income. The model families' disposable incomes after housing costs in 2014 are the same as in previous chapters. Furthermore, the reference budgets do not take into account the possibly higher health care costs of pensioner households.

Single-dwelling recipients of labour market subsidy, minimum sickness allowance or student financial aid living in rental housing have a disposable income that covers 71 per cent of the reference budget. Single-dwelling guarantee pension recipients who live in rental housing are able to cover 99–104 per cent of the reference budget with their income. Unemployed single parents living in rental housing have a level of basic security that is enough to cover approximately 90 per cent of the reference budget. For single parents receiving guarantee pension, the level is 97–101 per cent. The income of couples, who receive labour market subsidy or sickness allowance and live in rental housing, is sufficient to cover 71–73 per cent of the reference budget and couples on guarantee pension are able to cover 93–107 of the budget. Families with children, who live in rental housing and are either unemployed, receive sickness allowance or student financial aid have an income with which they are able to cover 75–79 per cent of the reference budget.

Home owners have smaller housing costs than tenants, but due to housing allowances and social assistance, there are no significant differences in incomes after housing costs between households depending on basic social security. For instance, the income of a single-dwelling home owner who receives labour market subsidy covers 79 per cent of the reference budget (tenants' respective per-

centage is 71), and a guarantee pensioner's income covers 110 per cent of the budget (tenants' percentage is 98–104). The income after housing costs of a single-dwelling recipient of minimum sickness allowance is the same regardless of type of housing and is enough to cover 71 per cent of the reference budget.

The level of basic social security relative to reference budgets has increased from the level of the 2011 evaluation report of the adequacy of basic social security. In the 2011 evaluation report (THL 2011), only one level of housing costs was used, which was living in rental housing in a medium-sized city. With this housing assumption, in 2011 the level of basic social security of a single-dwelling recipient of unemployment benefits, student financial aid or sickness allowance was enough to cover 63 per cent of reasonable minimum consumption, when in 2014 the level covered 71 per cent. Respectively, the income of a single-dwelling guarantee pensioner covered 101 per cent of reasonable minimum consumption in 2011 and 102 per cent in 2014.

Table 25. Reference budgets of the model families (in euros) and relationships between disposable income after housing costs and reference budgets in 2014 (%).

Family type	Life situation	Reference budget per month	Owner-occupied dwelling	Rental dwelling, small municipality	Rental dwelling medium-sized city	Rental dwelling Helsinki metropolitan area
Single dweller	Unemployed, basic security	675	79	71	71	71
	Pensioner, basic security	605	110	104	102	99
	Minimum sickness allowance	675	71	71	71	71
	Student in higher education	675	97	74	71	71
	New student in higher education	675	102	79	71	71
	Unemployed, earnings-related security	675	105	89	86	71
	Pensioner, earnings-related security	605	168	141	139	136
	Low-paid worker	675	177	141	132	118
	Average-paid worker	675	320	285	271	252
Single parent with one child	Unemployed, basic security	920	98	90	90	90
	Pensioner, basic pension	920	108	101	100	97
	Minimum sickness allowance	920	90	90	90	90
	Single parent surviving spouse	920	94	90	90	90
	Student in higher education	920	102	92	90	90
	New student in higher education	920	106	96	93	90
	Child home care allowance recipient	920	90	90	90	90
	Unemployed, earnings-related security	920	117	106	105	100

Family type	Life situation	Reference budget per month	Owner-occupied dwelling	Rental dwelling, small municipality	Rental dwelling medium-sized city	Rental dwelling Helsinki metropolitan area
	Pensioner, earnings-related security	920	137	127	126	122
	Low-paid worker	920	154	135	134	130
	Average-paid worker	920	259	223	214	201
Couple	Unemployed, basic security	1,143	82	73	73	71
	Pensioner, basic pension	1,143	113	107	104	93
	Minimum sickness allowance	1,143	73	71	71	71
	Student in higher education	1,143	119	111	102	88
	New student in higher education	1,143	125	117	108	94
	Unemployed, earnings-related security	1,143	133	106	99	89
	Pensioner, earnings-related security	1,143	187	159	151	136
	Low-paid worker	1,143	218	191	182	168
	Average-paid worker	1,143	388	360	351	337
Couple, two children	Unemployed, basic security	1,874	76	76	76	76
	Pensioner, basic pension	1,874	85	81	80	76
	Minimum sickness allowance	1,874	75	75	75	75
	Student in higher education	1,874	83	79	78	76
	New student in higher education	1,874	87	82	81	77
	Child home care allowance recipient	1,874	75	75	75	75
	Unemployed, earnings-related security	1,874	101	83	83	80
	Pensioner, earnings-related security	1,874	126	105	105	99
	Low-paid worker	1,874	140	118	113	104
	Average-paid worker	1,874	243	221	216	207

5.6 Popular opinion on the adequacy of basic social security benefits

The adequacy of basic social security can also be evaluated with public opinion surveys. This is important especially for the legitimacy of social politics. This chapter analyses popular opinions on the level of income deemed adequate and on how adequate different social security benefits are thought to be.

To evaluate the adequacy of basic social security in 2011, use was made of information of the Finnish popular opinion on the adequate level of income security gathered in a postal survey (the so-called Konse data) in the University of Turku, Department of Social Policy. For this report, these findings were complemented with the results of a telephone survey conducted by TNS Gallup for the Kela Research Department. Due to the different methods of data collection, the 2014 results are not fully comparable with earlier results, which should be taken into account when interpreting the development of time series.

Table 26 analyses popular opinions on the level of minimum income security deemed adequate. Respondents were asked how much money they thought a single-person household needed for living in a month after taxes and housing costs. The table presents the mean value of what was seen as adequate minimum income security for each cross section and the lower and upper limits of 95% confidence intervals. For comparison, the table also contains the nominal level of basic social assistance for a single dweller (in euros) as well as the relationship between basic social assistance and the popular opinion (percentage). Euro amounts in the table are nominal values.

Table 26. Popular opinions on the level of minimum income security deemed adequate for single dwellers (€/month).

	1995 ^a	2000 ^a	2005 ^a	2010 ^a	2014 ^b
Mean	442	450	545	670	723
95% confidence interval	430–455	443–459	534–556	658–683	692–754
Basic social assistance for a single dweller (nominal, €/month)	340	348	379	417	480
Difference in euros	102	102	166	253	243
Basic social assistance relative to popular opinion, %	77	77	70	62	66

^aNumbers for 1995–2010 are based on postal surveys (THL 2011).

^bNumbers for 2014 are based on a telephone survey conducted by Kela and TNS Gallup.

Between 1995 and 2014 the level of basic social assistance for single dwellers has increased by approximately 41 percent. The increase is somewhat greater than the increase of the costs of living of the cost-of-living index, which has been approximately 37 per cent. On the other hand, the average sum needed for living, according to popular opinion, has increased by 64 per cent from approximately €440 to €720. At all points in time, the popular opinion has deemed the sum needed for living to be higher than the level of social assistance for single dwellers at the time. In 2010 and 2014 the difference between the average popular opinion and basic social assistance was approximately €240–250 making the amount of basic social assistance approximately two thirds of the level considered adequate in popular opinion. When comparing the years 2010 and 2014 it should also be noticed that the level of basic social assistance for single dwellers has increased more than the popu-

lar opinion on the sum a single-person household needs monthly for living after taxes and housing costs. However, one must keep in mind that the method of inquiry changed between 2010 and 2014 from a postal to a telephone survey. This change may have an effect on the results.

Table 27 looks at the amount of minimum income security deemed adequate relative to disposable income after housing costs. The levels of income are based on calculations presented in Chapter 5. The information applies only to single-dweller households.

The income level of all basic social security benefits analysed here remains lower than the popular opinion on the monthly sum considered adequate for a single-dweller household to live on. Unemployed households and households receiving sickness allowance or student financial aid had an income that was one third lower than the sum considered adequate for living in popular opinion in 2014. The income of a pensioner household was 15 per cent lower.

Table 27. A single dweller's disposable income after housing costs relative to the popular opinion on the adequate level of minimum social security in 1995–2014.

Income item	1995 ^a	2000 ^a	2005 ^a	2010 ^a	2014 ^b
Basic unemployment security	77	73	65	62	66
Full national pension	80	82	76	72	85
Student financial aid (incl. student loan)	82	76	65	62	66
Minimum sickness allowance	77	73	65	62	66
Average-paid worker	197	224	258	263	253
Low-paid worker	90	120	122	125	124
Earnings-related unemployment security, average-paid worker	106	122	117	120	-
Earnings-related unemployment security, low-paid worker	77	87	80	75	80

^aNumbers for 1995–2010 are based on postal surveys (THL 2011).

^bNumbers for 2014 are based on a telephone survey conducted by Kela and TNS Gallup.

Between 1995 and 2010 the level of basic social security benefits declined relative to the popular opinion on the adequate level of minimum income security. Instead, the difference between the level of benefits and popular opinion has diminished between 2010 and 2014. Respectively, the disposable incomes of low- and average-paid workers increased between 1995 and 2010 relative to the popular opinion on the minimum income level. The trend has, however, turned which can be seen when looking at the differences between the years 2010 and 2014.

There are some differences of opinion between demographic groups in how much money a person needs monthly for living after taxes and housing expenses. Younger respondents estimate the sum to be somewhat smaller than older respondents. When looking at socio-economic statuses this is evident in that the sum deemed adequate by students is significantly lower than the popular average.

On the other hand, entrepreneurs have the highest estimates of the sum. There are also statistically significant differences of opinion between income groups. The sum deemed adequate for living increases rather steadily along with the increase in household income. Instead, there are no statistically significant differences between genders or geographic areas.

The telephone surveys conducted by TNS Gallup for the Kela Research Department also enquired about the popular opinion on the adequacy of different social security benefits. Table 28 (p. 109) shows that there are clear differences of opinion regarding different benefits. Finns are particularly critical towards the levels of national pension, child home care allowance and student financial aid, regardless of the year of inquiry. In addition, the majority of respondents, regardless of the year of inquiry, think that the levels of social assistance, maternity and parental allowances, labour market subsidy and basic unemployment allowance are inadequate.

The benefits, whose levels are considered most adequate, have mostly remained the same. These benefits are reimbursements for medical care, sickness allowance, child benefit and housing allowances. The top three benefits considered adequate in 2011 and 2014 are the so-called population-wide benefits—income security regarding health care and child benefit.

There has been some change in the opinions on the adequacy of benefits over time. When looking at the changes between 2003 and 2011, it is evident that critical attitudes towards the adequacy of benefits have increased. The change was moderate, but the trend was quite clear. Instead, the share of those who consider the level of benefits adequate has increased between 2011 and 2014.

Table 28. Popular perceptions on the adequacy of different benefits and reimbursements in 2000–2014. Share of those who consider the level fully or somewhat adequate (%).

Benefit	2000	2002	2003	2008	2011	2014
Health care reimbursements			48	42	49	60
Sickness allowance			49	46	43	57
Child benefit			42	37	40	57
Housing allowances	55	54	45	38	39	54
Labour market subsidy and basic unemployment allowance			35	33	30	46
Maternity or parental allowance			35	30	32	45
Social assistance					23	44
Student financial aid	37	31	30	24	23	38
Child home care allowance			27	22	21	36
National pension	35	36	33	20	20	34

Source: Kela and TNS Gallup 2014, telephone surveys.

In interpreting this result, there is one notion that needs to be kept in mind: if the respondents have no personal experience or knowledge of the level of a particular benefit or, for instance, the replacement rate, their responses are to a large extent perceptions of the groups receiving said benefits (e.g. pensioners, the unemployed, stay-at-home mothers, students) and of how these groups make ends meet.

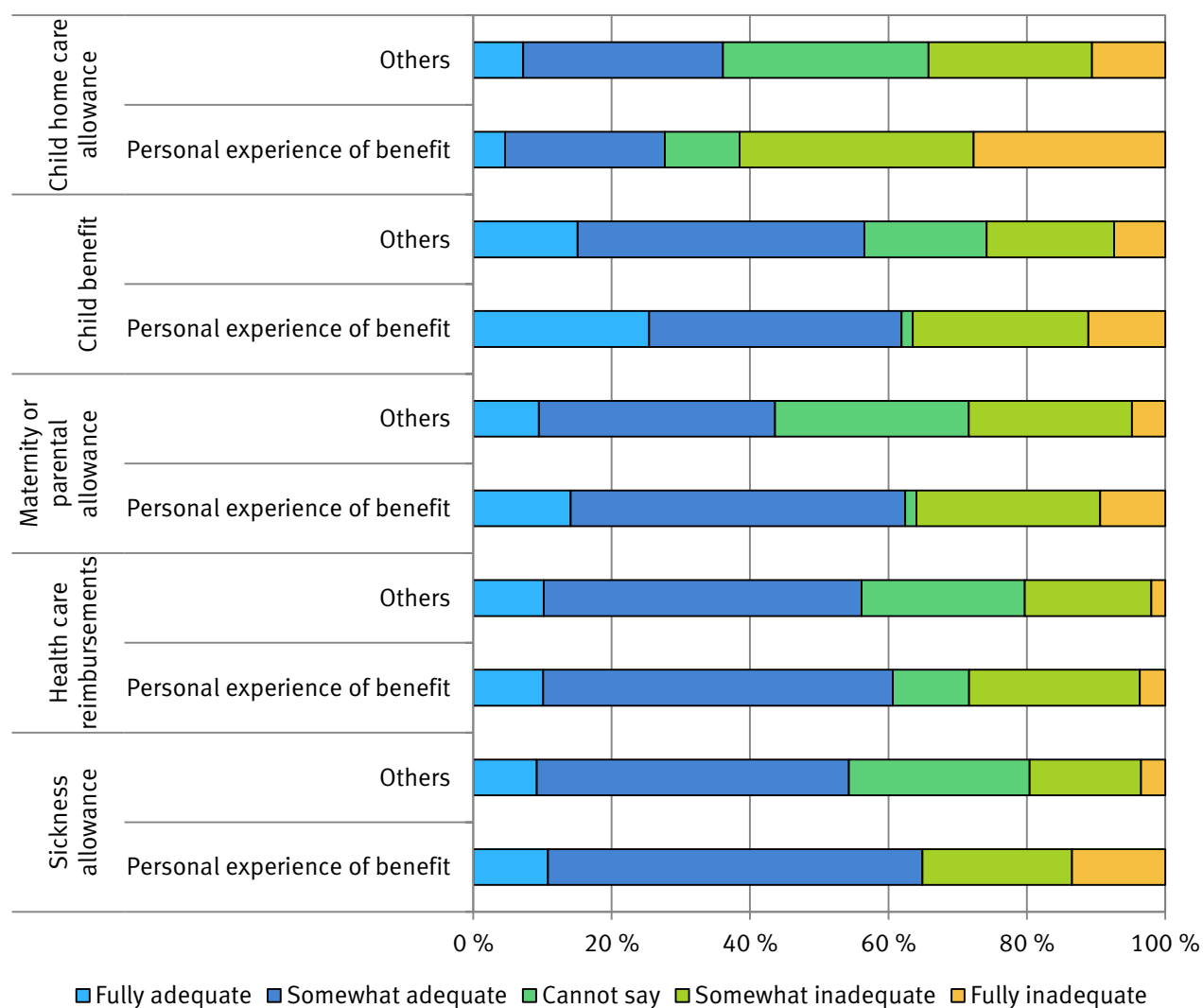
With the help of figures 17a (p. 109) and b (p. 110) further analysis can be made on how having personal experience of a benefit relates to opinions on the adequacy of benefits. Personal experience of a benefit is measured by how the respondent has reported using Kela services within the previous year. With some benefits, the variable directly measures the respondent receiving said benefit: having personal experience of sickness allowance, medical care reimbursements, general housing allowance, student financial aid and basic unemployment allowance suggests that the respondent has used Kela's services of said benefits or reimbursements. With some benefits the indicator is less accurate, but nonetheless measures the respondent having likely experience of the benefits or at least having some type of knowledge of the level of the benefit. Kela conducts research on the views of persons who have used Kela's services of child home care allowance, child benefit and maternity and parental allowances. For the part of national pension, Kela analyses the opinions of persons who have used Kela's services concerning pensions or housing allowance for pensioners. The data does not include information on whether respondents have personal experience of social assistance. Therefore, experiences of social assistance are estimated by whether respondents have used Kela's services concerning unemployment benefits.

Generally those who have personal experience of a benefit estimate the level of the benefit to be more adequate than those who have not, at least in the recent past, used Kela's services concerning the benefit. An exception to this are differences of opinion in child home care allowance, the level of which is estimated to be adequate significantly less often by those who have used Kela's services regarding benefits for families than others. With some benefits, such as student financial aid and social assistance, the differences of opinion are small. The differences are, on the other hand, larger regarding maternity and parental allowances, basic unemployment security and general housing allowance. Especially the views of those who had used Kela's services concerning family benefits were clearly more positive than the views of other respondents.

As regards basic income security, it is noteworthy that more than 60 per cent of those who had used Kela's housing allowance services considered the level of the benefit to be entirely or somewhat adequate. Also, 55 per cent of those who had used unemployment benefit services felt the level of labour market subsidy and basic unemployment allowance to be adequate. In light of both popular

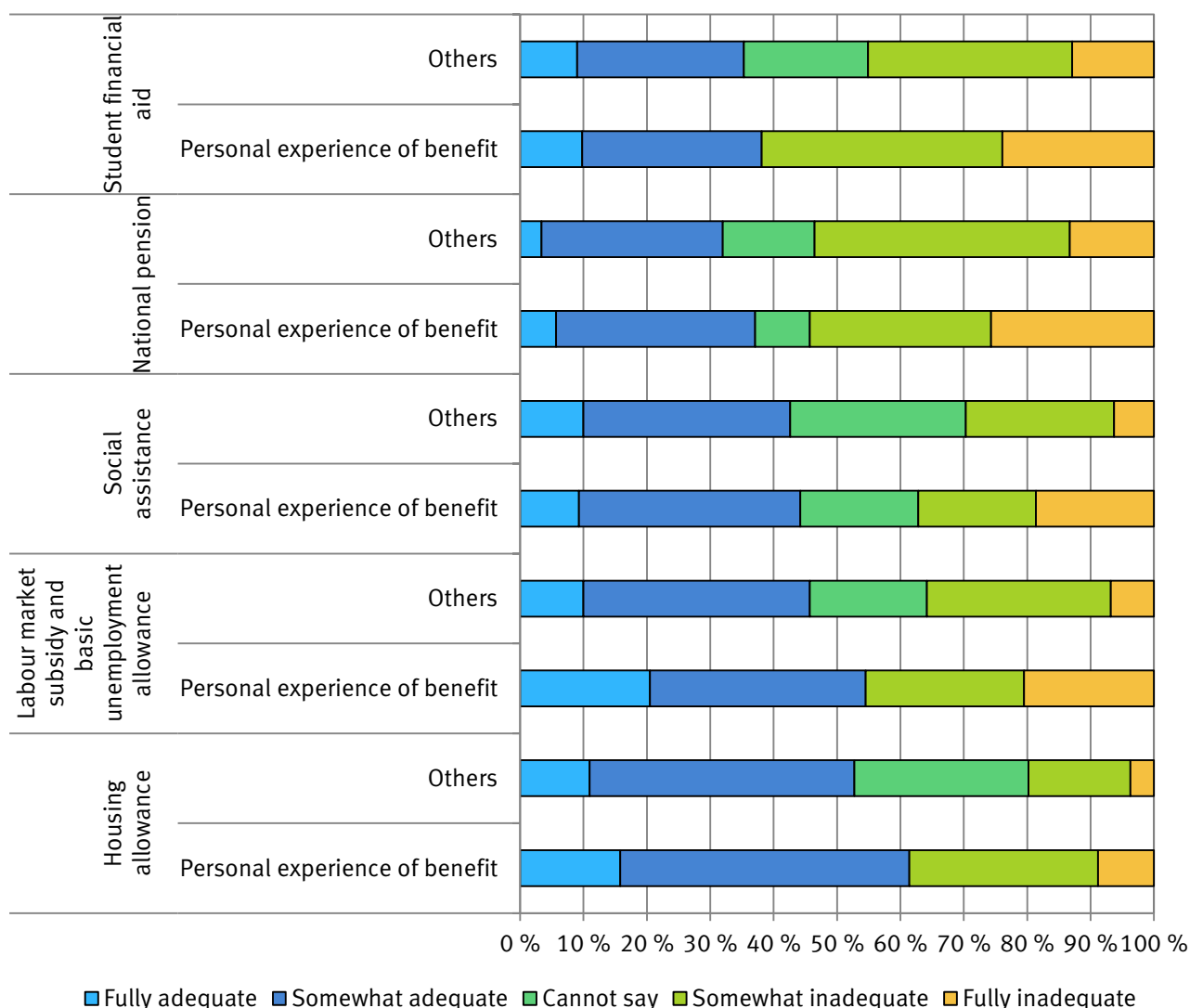
opinion and the opinions of benefit recipients, the least adequate benefits are child home care allowance, national pension and student financial aid.

Figure 17a. Experiences of benefits and perceptions of the adequacy of different benefits and reimbursements in 2014.



Source: Kela and TNS Gallup 2014.

Figure 17b. Experiences of benefits and perceptions of the adequacy of different benefits and reimbursements in 2014.



Source: Kela and TNS Gallup 2014.

5.7 International comparison of the level of Finnish minimum social security

Comparing the levels of financial sustenance of the most disadvantaged people internationally is a problematic and challenging task, since different countries have different social insurance and minimum social security systems. In addition to the levels of income security, the systems differ both structurally and for the part of means-testing. Comparing specific benefits may also be misleading, because different benefits and taxation usually form a whole. Additionally, in some countries means-tested minimum social security is used as a tool of preventive social work or they are attached to service packages. In Finland and other Nordic countries this is done in the form of e.g. employment promoting services.

In comparisons of the levels of minimum social security we have decided to take into account the entire income package made up by the benefits a household is entitled to. Most international comparisons of benefit levels are based on similar model family calculations as produced in this report. Thus, for households that resemble each other in family structure, labour market status and other qualities, a level of minimum income is calculated on the basis of benefit and tax legislations of different countries.

The research institute SOFI at the University of Stockholm maintains the SaMip (Social Assistance and Minimum Income Protection) database. The database contains individualised data on the levels and structures of minimum social security in more than 30 countries. Minimum social security in Western countries comprises a benefit similar to Finnish basic social assistance and reimbursements of housing costs as well as possible privileged family supplements and negative income taxes. This means that minimum social security is, in practice, made up of social assistance and benefits not considered in determining the amount of social assistance.

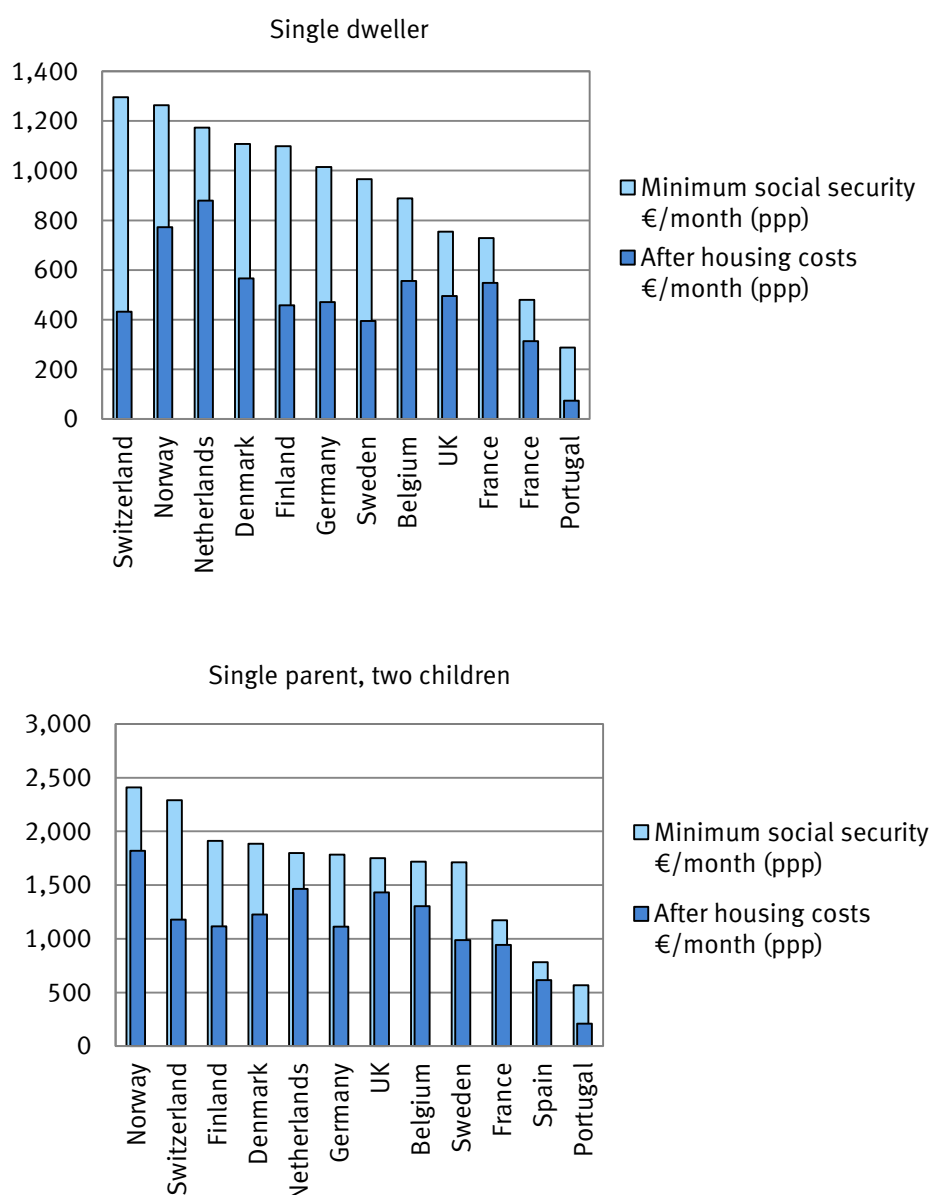
The SaMip database shows that there are considerable differences between countries regarding both the level of minimum social security and its structure. In Finland and Sweden family benefits are not privileged income in social assistance, but they are rather factored into basic social assistance, unlike in many other countries. The amount of basic social assistance varies greatly between countries and many countries offer no housing cost reimbursements for single dwellers. Furthermore, in many countries the housing cost reimbursement is larger than the basic part. For instance Norway, Sweden and Germany have a minimum social security system focused on housing cost reimbursements similar to the Finnish system. Denmark has, instead, a minimum social security system focused clearly on basic social security and there are only minor reimbursements of housing costs.

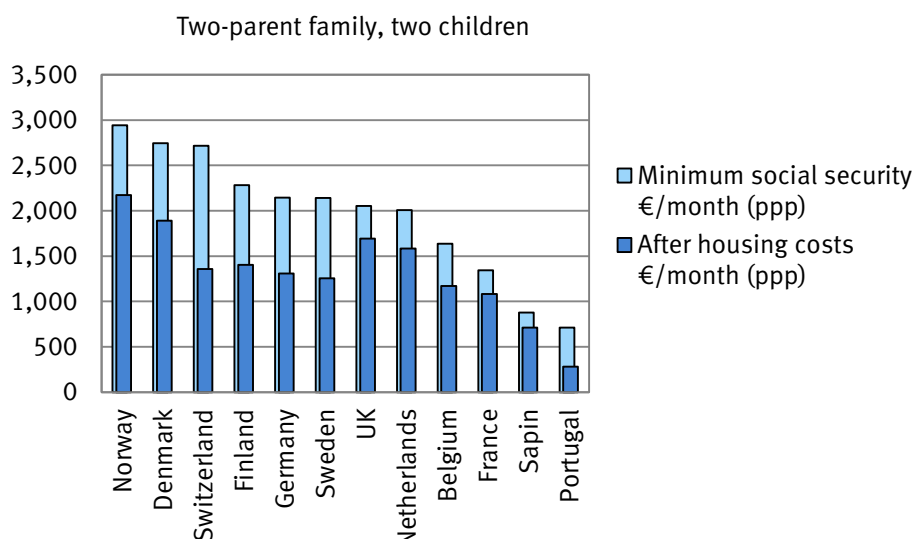
The SaMip database describes the structure and level of minimum social security with three model families: a single dweller, a single-parent family with two children and a two-parent family with two children. The children are assumed to be 7 and 14 years of age. An assumption made of the example cases is that the adults of the households are of working-age and unemployed without eligibility for earnings-related benefits. Their housing costs are assumed to reflect the rent level of a municipal rental flat: the single dweller is assumed to live in a one-bedroom, the single-parent family in a two-bedroom and the two-parent family in a three-bedroom dwelling. In all countries the municipality of residence is assumed to be a large city, in Finland it is Helsinki.

Figure 18 (pp. 112–113) depicts the calculated level of minimum social security for tenants in different countries with the three model families before and after housing costs, adjusted by purchasing power parity in 2013. When reimbursements for housing costs are taken into account, Finland's

level of minimum social security for single dwellers is on an average Western European level and on the same level with, for instance, Sweden and Germany. However, when we look at the level of minimum social security after housing costs, Finland has a lower relative rank in the level of minimum social security for single dwellers. The Finnish level of minimum social security for a single parent of two both before and after housing costs is on an average Western European level. The level of minimum social security for a two-parent family with two children in Finland is, both before and after housing costs, on the same average Western European level with Germany and Sweden.

Figure 18. Level of minimum monthly social security before and after housing costs, adjusted for purchasing power parity in 2013.





Source: SaMip database, SOFI, University of Stockholm.

The OECD has a long history in publishing comparisons analysing the level and structure of income security for the unemployed in different OECD countries. Comparisons have been made with different family types and at different stages of unemployment. Presented in Table 29 (p. 114) is the net income of a long-term (60 months) unemployed household relative to the net income of a household with an income of 67 per cent of average salaries (net replacement rate). In Finland, a long-term unemployed person corresponds to a labour market subsidy recipient. The table contains the so-called broad net replacement rate. The broad net replacement rate takes into account, in addition to unemployment security and taxation, also benefits similar to housing allowances and social assistance. The comparison is presented for four types of households: a single dweller, a single parent of two, a childless couple and a couple with two children.

As regards the couples, one spouse is assumed to be employed in both situations and the other is either employed or unemployed. The first spouse's salary is assumed to be 67 per cent of the average salary. This needs to be kept in mind when comparing the replacement rates of single-adult households and couples. The income formation of an unemployed household of one is entirely dependent on income security benefits. In a household with two adults, part of the income formation comes from one spouse's salary income even when the other spouse is unemployed. The comparison design is, thus, different from the example analyses presented earlier in this report, in which the income of an unemployed household is assumed to consist solely of income security benefits. The OECD also produces calculations for the so-called single-provider family type. In this type of an unemployed household both spouses are "non-employed" and the household's income formation depends only on income security benefits. It is, however, assumed, that one of the spouses is entirely unavailable on the labour market and is thus not entitled to unemployment benefits. This does not reflect the typical situation in Finland very well.

Table 29. Net replacement rates of long-term unemployed households in certain OECD countries in 2012 (%).

	Single dweller	Childless couple	Single parent, two children	Couple, two children
Denmark	79	64	86	82
Ireland	72	67	59	72
The Netherlands	72	53	63	59
Belgium	70	74	81	77
Switzerland	69	48	77	53
Iceland	67	60	76	70
Japan	63	52	89	70
Finland	62	60	73	68
Luxembourg	62	53	72	62
Sweden	61	50	61	55
Great Britain	56	50	73	68
Austria	54	50	83	60
Norway	53	53	68	55
France	51	56	62	61
Czech Republic	49	57	65	62
Germany	48	57	77	63
New Zealand	48	55	65	68
Slovenia	47	59	74	67
Australia	39	50	60	68
Estonia	34	53	51	56
Poland	32	51	52	63
Spain	32	54	44	55
Canada	31	56	62	70
Slovakia	27	54	37	58
Hungary	26	51	39	61
Israel	26	50	63	59
Portugal	24	52	43	54
Korea	22	50	51	50
United States	9	54	38	62
Chile	5	50	26	50

Source: OECD <http://www.oecd.org/els/benefitsandwagesstatistics.htm>. Accessed 10 October, 2014.

The countries are in descending order according to the replacement rate of a single dweller.

The calculation assumes that the household resides in a rental dwelling and the rent is assumed to be 20 per cent of the average national salary in all family types. The salary preceding unemployment and the possible spouse's salary are both assumed to be 67 per cent of the average salary.

The OECD comparison of Table 29 differs from the earlier analyses based on data from the SaMip database, which compare the absolute (euro) levels of minimum social security. The OECD analysis, on the other hand, related the income level of an unemployed household to the income level of an

employed household. This is partly due to the large number of countries in the OECD analysis. Including a variety of very different countries would make interpreting comparisons of levels adjusted for purchasing power parity even more difficult. Also, comparing the absolute levels of income security of countries with very different income levels would make little sense. Possibilities for funding income security and the general wage level, to which income security is usually related, would differ significantly between countries.

In Finland net replacement rates are higher than in most other OECD countries. In the comparison, Finland does not rank at the very top, of which Denmark and Belgium are the most distinctive depending on family type. Finnish replacement rates are, however, higher than the replacement rates of, e.g. Sweden and Norway.

6 Number of basic social security recipients and their income distribution status

6.1 Distribution of basic social security between genders

In Finland, gender impact assessments are used, among others, in drafting legislation and the state budget as well as in different programmes and budgets of the government. Promoting equality between men and women is a social duty stipulated in the Constitution. Statutory basic social security is neutral towards both genders. There are, however, differences in the life situations and life courses of men and women, in, for instance, education and its effects on the working career, opportunities in the labour market, quality of employment relationships (part-time work/fixed-term employment), professions, wage gaps, livelihood, starting a family, and practices related to family leaves, pensions and retiring. All these differences have an effect on the accumulation of earnings-related social security and, thus, also on the need of basic social security benefits. This leads to some basic social security benefits being unevenly distributed among the genders.

Table 30 (pp. 116–117) shows the distribution of reciprocity in different benefits according to gender. There are more than two million Finns who receive at least one benefit, and 64 per cent of them are women. The high percentage is explained by the connection between certain benefits, which also has to do with differences in the life situations of men and women. For instance, it is possible to apply for child benefit simultaneously with applying for maternity allowance before the child is born. As a result, in 95 per cent of the cases, child benefit is paid to the child's mother. Also among single-parents child benefit is paid to the mother in 88 per cent of the cases. Even though women make up the majority of recipients in both benefits, men are the majority of recipients in labour market subsidy and basic unemployment allowance, and, for the part of single dwellers, in general

housing allowance. Also, most recipients of conscript's allowance and front veteran's supplement are men, as can be expected. Men are also more often recipients of pensioner's child increase.

Furthermore, Table 30 reveals that men and women are also equally often the reference persons in housing allowance: 47 per cent are men and 53 per cent are women. Instead, the majority of single-dwelling recipients, 61 per cent, are men. Single parents who are entitled to housing allowance are almost always (in 94% of the cases) women, because children usually stay with their mother after divorce. Most recipients of child support and child maintenance allowance, 90 per cent, are women.

Table 30. Numbers and percentages of men and women who received Kela-administered benefits in 2013.

Benefit	Benefit recipients in 2013	Men		Women	
		Amount	%	Amount	%
Old-age pension	511,113	157,091	31	354,022	69
Disability pension	168,045	83,521	50	84,524	50
Guarantee pension	109,663	43,396	40	66,267	60
Front-line supplement	37,471	22,650	60	14,821	40
Orphan's pension	22,505	11,163	50	11,342	50
Child increase (recipients)	15,771	8,500	54	7,271	46
Unemployment pension	9,822	2,745	28	7,077	72
Survivors' pension	9,041	2,270	25	6,771	75
National pensions total	732,239	267,562	37	464,677	63
Housing allowance for pensioners	208,720	78,900	38	129,820	62
Pension benefits total	753,343	274,577	36	478,766	64
Parental allowance, greater than minimum	91,115	18,777	21	72,338	79
Maternal or paternal allowance, greater than minimum	119,869	57,542	48	62,327	52
Minimum parental allowance	14,585	355	2	14,230	98
Minimum maternal or paternal allowance	12,798	1,857	15	10,941	85
Parental allowances total	160,164	59,605	37	100,559	63
Sickness allowance, greater than minimum	288,899	120,659	42	168,240	58
Minimum sickness allowance	12,445	5,998	48	6,447	52
Sickness allowance, less than minimum	15,516	5,958	38	9,558	62
Other sickness allowance	28,023	13,482	48	14,541	52
Sickness allowances total	311,677	130,726	42	180,951	58
Health insurance allowances total	449,317	188,573	42	269,673	60
Conscript's allowance	12,017	11,006	92	1,011	8
General housing allowance (reference persons)					

Benefit	Benefit recipients in 2013	Men		Women	
		Amount	%	Amount	%
Single dweller	169,741	103,838	61	65,903	39
Single parent	56,671	3,648	6	53,023	94
Two-parent family with children	29,416	12,519	43	16,897	57
Childless couple	14,901	7,366	49	7,535	51
Other housing unit	9,310	3,259	35	6,051	65
General housing allowance, reference persons total	262,943	124,689	47	138,254	53
Labour market subsidy	260,994	139,073	53	121,921	47
Basic unemployment allowance	62,948	33,737	54	29,211	46
Unemployment allowances total	305,118	163,783	54	141,335	46
Study grant	319,502	142,307	45	177,195	55
Housing supplement for students	216,715	93,255	43	123,460	57
Student financial aid benefits total	326,209	144,711	44	181,498	56
Child benefit, two-parent family	498,793	20,597	4	478,196	96
Child benefit, single parent	116,065	13,522	12	102,543	88
Child benefit total	588,996	31,926	5	557,070	95
Child maintenance allowance	80,240	10,860	14	69,380	86
Child support	14,433	794	6	13,639	94
Child maintenance total	81,472	10,985	13	70,487	87
Child care support, care allowance	147,998	10,110	7	137,888	93
Child care support, care supplement	53,893	2,955	5	50,938	95
Child care support, municipal supplement	61,566	4,392	7	57,174	93
Child care support total	148,620	10,193	7	138,427	93
Other benefits total	1,202,162	372,317	31	829,845	69
Total	2,171,204	788,883	36	1,382,321	64

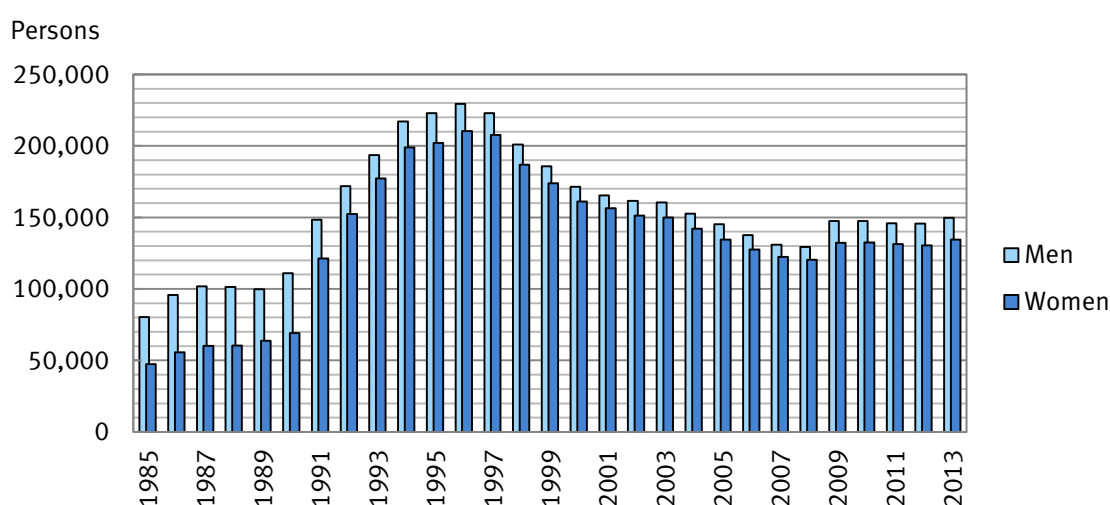
Source: Kela.

The average levels of Kela-administered benefits in 2013 vary to some extent according to gender, as may be seen in Appendix 1. Of different national pension benefits, women receive slightly higher old-age, guarantee, unemployment and survivor's pensions than men. The purpose of national and guarantee pension is to secure a minimum pension for persons whose earnings-related pension is small or they do not have one. In 2013, women's average earnings-related pensions were approximately €400 smaller than men's. (ETK 2015.) This is why national pension, which is designed to complement earnings-related pension, is most often paid to women. For instance, the majority of guarantee pension recipients, 60 per cent, are women, and women's average guarantee pension is a little higher than

men's. Women make up 64 per cent of all recipients of pensioner's housing allowance, but they receive, on average, a benefit that is somewhat smaller than men's. As a whole, basic social security complements, in the form of different benefits, women's weaker position on the labour market and their smaller accumulated pension. National pension practices differ from other basic social security benefits in that persons living with a spouse receive a smaller benefit than single dwellers.

Basic social security benefits are usually based on social insurance with the exception of social assistance, which is a means-tested last-resort benefit. As may be seen in Figure 19, a narrow majority, 53 per cent, of social assistance recipients are men. The share of women in social assistance recipients has increased in 25 years by 10 percentage points to 47 per cent. The increase may be the result of procedural changes in granting social assistance, and only after 2002 have the records kept on social assistance become more accurate. Another factor to affect the increase has to do with a change in the nature of social assistance. Compared to the situation of, for instance, the early 1990s, there are now more long-term clients of social assistance (Kauppinen et al. 2013).

Figure 19. Numbers of men and women who have received social assistance in 1985–2013.



NB. Until 2002 there are recorded cases, in which the gender is "unsure".
Source: THL.

6.2 The number and income formation of persons depending on basic social security

The number of persons depending on basic social security is analysed in the following according to different background variables with Statistics Finland's data of the total statistics on income distribution, which is a register-based statistics dataset covering the whole household-dwelling population. The latest available data is from 2013. Defined as persons entirely dependent on basic social security are those whose household (household-dwelling unit) receives more than 90 per cent of its

combined gross annual income from basic security benefits. This means that household members can have some income from other sources, e.g. salaries or wages, earnings-related income transfers or capital income. Persons, of whose gross household income over 50 per cent are basic social security benefits, are defined as relying on basic social security.

Table 31 (p. 120) presents the number of households depending entirely on basic social security, the main source of income in the household and the level of income in 1995–2013. There were 231,000 persons living in households depending entirely on basic social security, which was 4.3 per cent of the population in 2013. There was a decline in the number of persons depending entirely on basic social security in 1995–2008, but since then the number has increased and now more people are entirely dependent on basic social security than in the mid-1990s². In 2013 there were 26,000 more households entirely dependent on basic social security than in 2011 and 66,000 more households than in 2008.

In most cases, the main source of income of persons depending entirely on basic social security was either unemployment security (35%), national pension paid on the basis of disability (13%) and family benefits (12%) in 2013. There has been a significant increase in unemployment security as the main source of income in households depending on basic social security since 2011. The disposable income per consumption unit of persons depending on basic social security was approximately 42.7 per cent of the average income level. The share has increased by two percentage points since 2011. There has been a real increase of 16 per cent in the income of households depending on basic social security between 1995 and 2013 and an increase of 6 per cent between 2011 and 2013. Respectively, the real income of all households increased by 47 per cent between 1995 and 2013 and decreased by one per cent between 2011 and 2013.

According to the previous table, there were 231,000 people in Finland in 2013, whose household income consisted of basic social security benefits by over 90 per cent. Presented in Figure 20 (p. 121) is the number of persons living in these households by age and the number of years they have received basic social security, when the analysis period is still 1995–2013. In most cases, there are children under the age of five and young adults in household-dwelling units who are entirely dependent on basic social security. When analysing the duration of dependence on basic social security it can be seen that the periods of depending on basic social security of young adults mainly last for one year or a few years. This applies, by definition, to small children. In most cases, persons depending on basic social security long-term are middle-aged. In a relative analysis, the eldest recipients have the longest periods of dependence on basic social security. In 2014, persons depending entirely on

²Data in the total statistics on income distribution only spans to 1995. According to sample based income distribution statistics, there were 76,000 persons living in households who receive over 90 per cent of their income from basic social security benefits in 1990. In 1995 the number was 185,800. The reference population and concepts used in total income distribution statistics differ to some extent from sample-based income distribution statistics. The information is now based on data on the entire household-dwelling population instead of a sample.

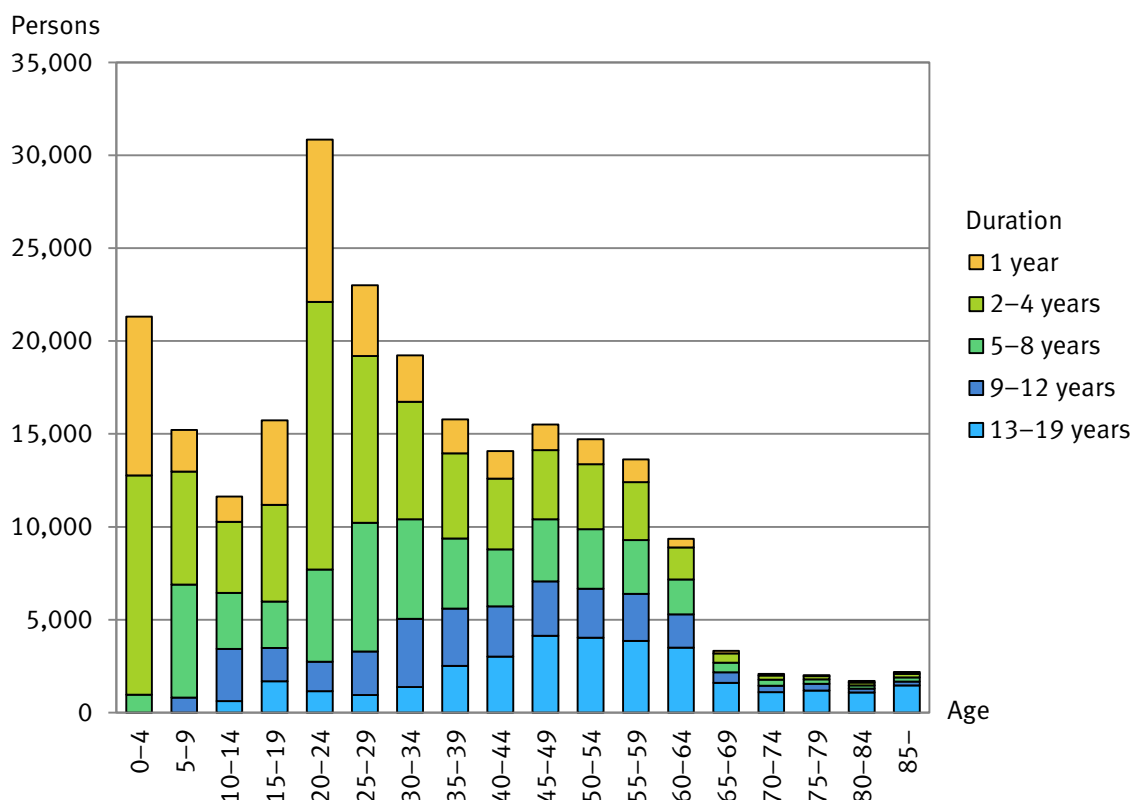
basic social security had been receiving basic social security for an average of four years. Approximately 14 per cent had been dependent on basic social security for 13–19 years and 17 per cent for only one year during the analysis period. The numbers can be found in Appendix Table 2.

Table 31. Number of persons depending on basic social security and the household's main source of income and income level in 1995–2013.

Number of persons (1,000 persons)	1995	2000	2005	2008	2010	2011	2012	2013
Entire dwelling population	5,041	5,081	5,154	5,219	5,265	5,282	5,308	5,332
51–90% of gross income consists of basic social security benefits	448	331	283	250	256	239	236	238
Percentage of entire dwelling population	8.9	6.5	5.5	4.8	4.9	4.5	4.4	4.5
90–100% of gross income consists of basic social security benefits	217	187	192	165	198	205	216	231
Percentage of entire dwelling population	4.3	3.7	3.7	3.2	3.8	3.9	4.1	4.3
Share of persons depending entirely on basic social security benefits according to the main income source of the dwelling unit (%)								
	1995	2000	2005	2008	2010	2011	2012	2013
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Unemployment security	34.4	30.6	32.8	24.3	24.9	27.7	32.7	35.0
Old-age pension	13.0	9.0	5.6	5.5	4.1	4.9	4.7	4.4
Family benefits	23.6	18.3	17.0	15.0	14.1	13.6	12.4	11.8
Financial aid for students	2.9	3.3	3.6	3.4	4.3	3.5	3.2	3.2
Disability benefits	8.8	10.2	11.6	14.7	13.3	13.6	13.3	12.7
Other income source	17.3	28.6	29.3	37.0	39.3	36.8	33.7	32.9
Real income level, disposable monetary income calculated per consumption unit, average per person in euros in the price level of 2012								
	1995	2000	2005	2008	2010	2011	2012	2013
Entire dwelling population	18,114	21,462	24,268	25,963	26,715	26,877	26,615	26,660
51–90% of gross income consists of basic social security benefits	11,675	11,146	11,895	12,165	12,604	12,566	12,898	13,048
Percentage of all dwelling population	64.4	51.9	49.0	46.9	47.2	46.8	48.5	48.9
90–100% of gross income consists of basic social security benefits	9,844	9,430	10,133	10,353	10,698	10,702	11,178	11,374
Percentage of all dwelling population	54.3	43.9	41.8	39.9	40.0	39.8	42.0	42.7

Source: Statistics Finland, total statistics on income distribution.

Figure 20. Persons living in households entirely dependent on basic social security in 2013 according to age and the duration of the household's dependence on basic social security.



Source: Statistics Finland, total statistics on income distribution.

6.3 Allocation of basic social security benefits and certain other benefits among income brackets

In the following we will move on to look at the allocation and generality of households' basic social security benefits by income deciles³. For comparison, the analysis also contains earnings-related unemployment allowance and earnings-related pension, which are not considered basic social security benefits. Institutionalised persons are excluded from the analysis.

Table 32 (pp. 123–124) presents the allocation of different benefits among income brackets and the shares of households receiving benefits in different income brackets. (Appendix Table 3 contains the numbers of households receiving different benefits.) Most benefits are heavily allocated to the two lowest income deciles and they make up significant shares of the lowest-income households' entire income formation. For instance, 49 per cent of the whole expenditure on general housing allowance is allocated to the lowest income decile and approximately 78 per cent to the lowest two

³ Income deciles have been formed by arranging the population by disposable equivalent money income into ten equally-sized groups, each of which contain approximately half a million people. Here the analysis is, however, on the level on household-dwelling units.

income deciles. Benefits which are most heavily allocated to the lowest two income deciles are, in addition to general housing allowance, social assistance (68%), housing allowance for pensioners (67%) and labour market subsidy (66%). Child benefits and sickness and parental allowances are less allocated to persons with the lowest income.

The generality of benefit reciprocity among households in different income brackets is similar to the allocation of benefits (Table 31). Of households in the lowest income decile, 35 per cent receive general housing allowance and 11 per cent receive housing allowance for pensioners. 11 per cent of the entire population receive general housing allowance and 6 per cent receive housing allowance for pensioners. 25 per cent of households in the lowest income decile receive social assistance, whereas the respective share in the entire population is 8 per cent. The most common benefits among the entire population are child benefits, which were paid to 23 per cent of all household-dwelling units and 10 per cent of household-dwelling units in the lowest income decile.

In the lowest income decile, the highest shares of benefits in gross income are among recipients of old-age or disability pension or labour market subsidy, approximately 40–50 per cent (Appendix Table 3). The share of social assistance in income was approximately one fifth for households in the lowest income decile, which was also the share of general housing allowance.

Table 32. Allocation of benefits and shares of recipients by income deciles in 2013 (%).

	Income decile (disposable equivalent monetary income, weighted by person)										
	1	2	3	4	5	6	7	8	9	10	Total
Household-dwelling units total	339,962	315,701	275,334	250,059	242,329	238,230	233,869	232,991	234,297	236,841	2,599,613
Benefit allocation to income deciles	1	2	3	4	5	6	7	8	9	10	Total
Kela-administered old-age pensions and benefits	23.0	25.8	16.5	10.7	7.3	5.2	3.8	2.9	2.4	2.5	100
Kela-administered disability pensions	23.0	29.3	13.6	8.7	6.6	5.4	4.5	3.7	3.1	2.2	100
Kela-administered unemployment pensions	16.5	26.1	15.8	11.9	9.3	6.5	5.6	3.4	2.7	2.2	100
Guarantee pension	29.6	29.3	12.8	8.0	5.7	4.1	3.3	2.7	2.2	2.1	100
Labour market subsidy	42.3	23.5	11.8	7.5	5.1	3.4	2.4	1.8	1.2	0.9	100
Basic unemployment allowance	30.3	21.6	14.1	10.2	7.4	5.6	4.2	3.1	2.1	1.4	100
Social assistance	38.9	29.2	13.9	7.3	4.2	2.6	1.6	1.2	0.8	0.4	100
General housing allowance	48.9	29.4	11.7	4.7	2.3	1.2	0.8	0.5	0.3	0.2	100
Housing allowance for pensioners	19.1	47.4	21.0	5.3	2.5	1.6	1.2	0.9	0.6	0.3	100
Financial aid for students	40.8	15.8	11.4	8.2	6.1	4.9	4.0	3.1	2.7	2.9	100
Kela-administered survivors' pension	12.8	14.5	13.1	11.2	9.7	8.9	9.3	7.9	7.0	5.7	100
Child home care allowance	16.3	15.5	14.1	12.8	10.8	8.9	7.5	5.8	4.5	3.7	100
Child benefits	10.5	12.0	11.9	11.4	10.9	10.4	9.7	8.6	7.5	7.0	100
Parental allowance	6.7	8.5	9.9	12.0	12.8	12.1	11.6	10.3	8.7	7.4	100
Sickness allowance	8.0	9.3	9.5	10.0	10.2	10.4	10.7	11.0	10.6	10.3	100
Earnings-related unemployment security	7.7	11.2	11.9	12.3	11.8	11.3	10.7	9.5	7.8	5.8	100
Earnings-related pensions	2.9	9.5	11.9	12.2	11.2	10.5	9.9	9.5	9.6	12.8	100

	Income decile (disposable equivalent monetary income, weighted by person)										
Share of benefit-recipient households of all households in income decile	1	2	3	4	5	6	7	8	9	10	Total
Kela-administered old-age pensions and benefits	22.3	33.0	25.0	19.2	13.7	10.2	7.8	6.0	4.8	4.9	15.8
Kela-administered disability pensions	7.8	12.4	7.6	5.3	4.2	3.7	3.1	2.6	2.1	1.5	5.4
Kela-administered unemployment pensions	0.2	0.4	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.2
Guarantee pension	7.3	7.4	4.0	2.8	2.1	1.6	1.3	1.1	0.9	0.9	3.3
Labour market subsidy	24.2	14.7	10.2	7.9	6.0	4.5	3.6	2.7	1.9	1.2	8.6
Basic unemployment allowance	4.1	3.8	3.4	2.8	2.3	1.8	1.5	1.2	0.8	0.5	2.4
Social assistance	25.0	18.2	10.7	6.1	3.7	2.4	1.6	1.1	0.7	0.3	8.1
General housing allowance	34.9	21.8	13.6	7.7	4.6	2.9	2.1	1.4	0.9	0.5	10.5
Housing allowance for pensioners	10.7	22.4	12.5	3.6	1.6	1.0	0.7	0.6	0.4	0.2	6.2
Financial aid for students	26.8	12.9	12.6	11.5	10.2	8.9	8.0	7.0	6.1	4.9	11.6
Kela-administered survivors' pension	1.0	0.8	0.9	0.9	0.8	0.8	0.8	0.7	0.6	0.5	0.8
Child home care allowance	4.6	5.2	6.0	6.7	6.6	6.1	5.7	4.6	3.7	2.8	5.2
Child benefits	14.2	17.2	21.5	24.6	26.3	27.3	27.7	25.7	22.5	20.4	22.2
Parental allowance	3.4	3.7	4.5	5.2	5.2	4.8	4.4	3.6	2.9	2.2	4.0
Sickness allowance	4.7	4.8	5.3	6.1	6.4	6.5	6.8	6.9	6.4	5.4	5.8
Earnings-related unemployment security	14.2	14.5	16.2	17.9	18.1	17.7	17.4	16.1	13.5	8.8	15.4
Earnings-related pensions	28.4	56.3	54.5	47.8	40.2	36.1	32.8	29.5	27.1	28.4	38.6

Source: Statistics Finland, total statistics on income distribution.

6.4 Low income of persons depending on basic social security and their perceived income

Table 33 (p. 126) presents the development of low income rates (at-risk-of-poverty rate) and perceived income problems among households, whose gross income is made up of basic social security benefits by over 50 per cent. The data used is the sample data of Statistics Finland's income distribution statistics. The limit of low income or the at-risk-of-poverty limit is defined according to the EU standard as 60 per cent of the equivalent median income of the population, which was €1,190 per month for a single-dwelling household in 2013.

71 per cent of the members of households, who receive more than 50 per cent of their income from basic social security, have low income, while the respective share among the entire population was approximately 13 per cent in 2013. The low income rate of persons depending on basic social security has declined since 2011, whereas the low income rate among the entire population has remained the same. In addition to the high rate of low income, basic social security recipients have somewhat "deeper" low income, in other words, their distance to the low income limit is greater than among the entire population. The income level of basic social security recipients with low income is approximately one fifth below the low income limit. For all low-income persons, this poverty deficit is approximately 14 per cent.

The average housing expenses of those dependent on basic social security were approximately 40 per cent of their net income. For all households the respective average share is approximately 16 per cent. If housing loan payments are also taken into account (concept of housing expenditure), the share for those depending on basic social security remains more or less the same, whereas for the entire population the share increases by approximately seven percentage points⁴. The share of housing costs in income remained the same for both those depending on basic social security and the entire population in 2011 and 2012⁵.

Income-related problems were also more common in households, who received more than 50 per cent of their income from basic social security benefits, than in the entire population. 54 per cent of households receiving basic social security had experienced difficulties with making ends meet, while in the entire population the respective share was 24 per cent in 2013. 43 per cent of those depending on basic social security had problems with paying bills and fees, while the share in the entire population was 15 per cent. 72 per cent of households depending on basic social security reported having problems coping with unexpected expenses, whereas the share in the entire population was 27 per

⁴ Housing costs include costs of the household's actual dwelling: operating expenses, housing loan interests and real estate taxes. Housing expenditure includes the operating expenses of a household's actual dwelling, housing loan interests and payments, housing company loan payments and real estate taxes.

⁵ Data for 2013 was not available at the time of drafting this report.

cent. 8 per cent of households depending on basic social security reported having problems with loan payments, while in the entire population the share was 4 per cent.

There has been a slight decline in reporting income-related problems among those depending on basic social security since 2011, although problems with paying bills have become more common.

Table 33. Low income and income-related problems among households receiving basic social security (%).

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 ^a
Persons with low income, percentage of population, 60% of median income										
Total population	11.9	12.7	13.1	13.8	13.9	13.2	13.7	13.2	11.9	12.9
Relying on basic social security	62.5	66.7	66.7	73.0	75.5	75.7	71.9	74.0	69.9	70.6
Poverty gap (median), percentage of the 60% limit										
Total population	13.7	14.3	14.2	15.6	15.1	13.9	13.6	15.1	15.0	14.1
Relying on basic social security	18.1	15.6	18.1	20.2	20.5	18.3	18.3	18.9	21.5	20.2
Income share of housing costs, median (in gross)										
Total population	14.3	14.6	15.6	16.9	17.4	15.7	15.4	16.2	16.2	.
Relying on basic social security	36.2	36.1	37.1	38.5	39.4	38.4	39.1	40.2	40.2	.
Difficulties in coping with everyday expenses										
Total population	29.0	27.7	25.7	27.7	24.5	23.5	24.5	22.9	23.7	25.4
Relying on basic social security	60.2	60.8	59.2	62.3	57.8	57.1	56.3	57.0	56.0	54.1
Problems with bills and charges										
Total population	17.4	16.0	16.1	14.6	14.9	14.0	15.2	14.9	15.0	15.0
Relying on basic social security	41.9	41.7	42.2	41.0	41.3	38.4	40.0	39.9	42.5	43.1
Difficulties in coping with unexpected expenses										
Total population	32.6	30.1	29.9	29.5	29.5	27.8	27.2	27.6	27.2	27.0
Relying on basic social security	74.6	72.8	71.7	75.3	74.6	72.1	69.3	71.0	70.3	72.4
Problems with loan and interest payments										
Total population	5.1	4.5	4.1	4.6	4.7	4.6	4.7	4.5	4.5	4.0
Relying on basic social security	11.0	12.2	11.6	8.2	13.0	9.3	9.6	9.8	9.8	8.4

^aForward estimate.

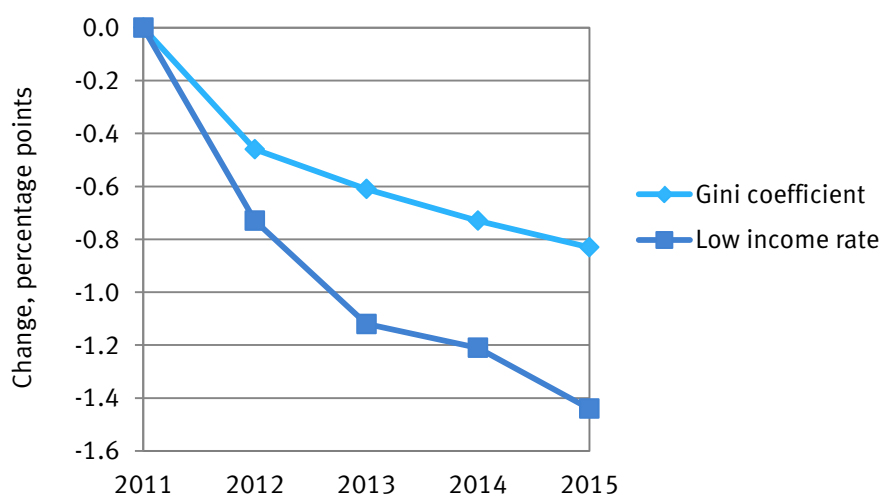
Source: Income distribution statistics 2013 (sample), forward estimates.

6.5 Income distribution effects of legislative reforms in 2011–2015

The effects of tax and social security legislation on income distribution can be estimated with microsimulation. Analysed in the following are the estimated effects of reforms in benefit and tax legislation in 2011–2015 on the Gini coefficient and the low income rate. Decision-based income distribution effects are estimated so that the disposable income of households in the 2012 population data are simulated with the SISU microsimulation model according to the tax and benefit legislation in 2011–2015. In this way we are able to isolate the direct income distribution effects of policy changes from other changes affecting income differences, for instance, in population structure. Changes in municipal taxation and social insurance fees are included in the decision-based income distribution effects in the calculations. The monetary parameters of legislation have been adjusted to the level of the data year with the earnings-level index, which means that the slower growth-rates of social benefits than earnings are interpreted as decision-based changes. A similar method has been used in earlier studies evaluating the income distribution effects of policy reforms (e.g., Bargain and Callan 2010; Honkanen and Tervola 2014). The studies contain more detailed information on the estimation method. The calculations are static in nature, which means that they do not take into account the possible behaviour effects of legislative reforms.

The Gini coefficient describing income differences simulated with 2011 legislation was 27.7 per cent in Finland. As can be seen in Figure 21, changes of 2011–2015 in benefits and taxation have narrowed income differences. The reforms in benefit and tax legislation have lowered the Gini coefficient by 0.8 percentage points altogether. Legislation reforms have reduced income differences each year, but the legislative reforms of 2012, which included, among others, a level increase in unemployment allowances, had the largest effect.

Figure 21. Effect of legislative reforms on the Gini coefficient and the low income rate in 2011–2015.

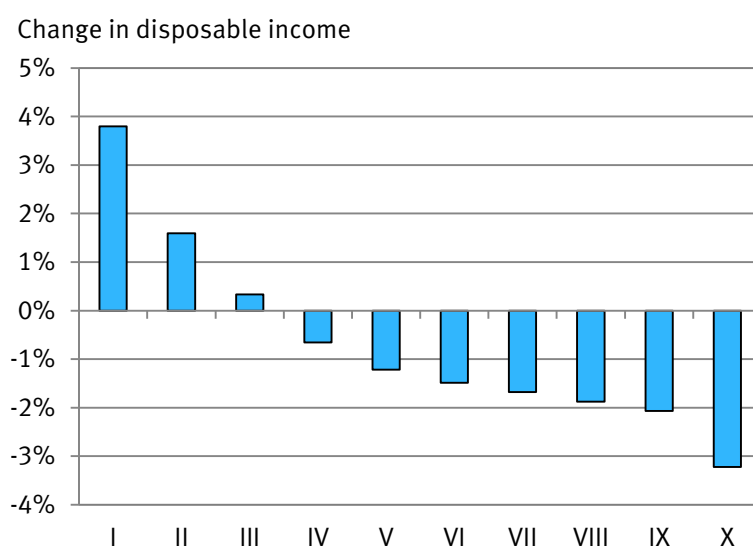


Source: SISU model / own calculations.

Simulated with 2011 legislation, the relative low income rate reflecting the share of low-income persons in the population was 15.6 per cent (at-risk-of-poverty rate), when the low income limit is 60 per cent of the median household equivalent income. Evident in Figure 21 is that changes in benefits and taxation during the parliamentary term 2011–2015 have reduced the at-risk-of-poverty rate by approximately 1.4 percentage points. The legislative reforms of 2012 had the biggest effect on the low income rate as well.

Figure 22 describes how legislative reforms have affected the disposable incomes of different income deciles. Legislative reforms made between 2011 and 2015 have increased the disposable incomes of the three lowest income deciles. The legislative reforms have, on the other hand, decreased the disposable incomes of the six highest income deciles, so that the disposable incomes of the highest decile have been reduced both absolutely and relatively.

Figure 22. Effect of legislative reforms on the disposable incomes of different income deciles in 2011–2015.



Source: SISU model / own calculations.

The simulation calculations do not include the income distribution effects of changes in indirect taxation. Thus, the effect of increases in, for instance, value added tax and excise duty on income differences are not reflected in the results. According to earlier reports (e.g. Riihelä and Viitamäki 2011 and 2013), increases in excise duties have widened income differences, but the scale of the effects is markedly smaller than the estimated effects presented above. It is, therefore, likely that the total effects of legislative reforms of 2011–2015 would reduce income differences, even if the effect of excise duties, which would increase income differences, was factored in. Also, the exempt earnings amount of housing allowance, which will enter into force in September 2015, is missing from the simulation calculations. The reform will decrease income differences.

7 Summary

According to the act on national pension index (section 4a), an evaluation of the adequacy of basic social security is to be carried out every four years. The first expert group for the evaluation of the adequacy of basic social security published the first evaluation report on the adequacy of basic social security in February 2011 (THL 2011). In April 2014, the National Institute of Health and Welfare appointed the second expert group for the evaluation of the adequacy of basic social security to carry out this second evaluation of the adequacy of basic social security. The evaluation looks into the development of the adequacy of basic social security and factors affecting it in 2011–2015.

The expert group decided to keep the basic structure of the first evaluation report. The evaluation has, however, been developed and deepened in many ways compared to the first report. The model family calculations of the evaluation are now produced with the new SISU microsimulation model of Statistics Finland. Model family analyses now include a new life situation—earnings-related pension reciprocity—and housing costs are analysed on four levels instead of the earlier one. Analyses of inactivity traps and overlaps in benefits have been deepened. The adequacy of benefits relative to popular opinion are now analysed by benefit with the help of the Kela customer survey. Data-based income distribution analyses have been expanded to register and panel analyses. Also, the analysis of the allocation of benefits among different income brackets now contains earnings-related benefits. Entirely new analyses are the analysis of the income distribution effects of reforms in benefit and tax legislation and the analysis of gender impacts of basic social security.

The most generous basic social security benefit is guarantee pension, which is €747 per month in 2015. Basic unemployment allowance and labour market subsidy are smaller, €705 per month. The continuing spouse's pension from the national pension scheme is €637, including the basic amount and the full supplement. Minimum parental and sickness allowances are €600. Child home care allowance together with the care supplement is €526. Study grant is the smallest benefit, for new students in higher education €337 per month. This is, however, complemented by the possibility to take out a student loan of €400 per month. Basic social assistance is €486 per month. When comparing the levels of social insurance based benefits and basic social assistance, it needs to be noted that the Kela-administered social insurance benefits are taxable income unlike social assistance. Although, due to the pension earnings and study grant deductions, pension and student financial aid are practically untaxed. The net amounts of minimum parental and sickness allowances as well as the child home care allowance with the full care supplement are on the same level with basic social assistance.

In 2011–2015 the level of basic social security has improved relative to both prices and wages in all analysed life situations. In most life situations and types of families the income level had a real increase of approximately 10 per cent, whereas the real income level of an average-paid worker has remained practically the same. The most significant single factor has been the reformed legislation of 2012: a €100 level increase in unemployment security along with an increase in the income limits of housing allowance and a raise of basic social security were implemented. On the other hand, increases made in social assistance have also increased dependence on social assistance in most life situations. The rapid rise of housing costs relative to the level of the benefits has also had an effect.

Social assistance is intended and proportioned to be a last-resort temporary complement of basic social security and housing allowance in surprising and special situations. The example calculations on the income formation of households depending on basic social security, however, show that persons relying on basic social security and living in rental dwellings are calculatedly entitled to social assistance, with the exception of pensioner households. The calculated amount of social assistance depends greatly on the dwelling's location and rent level. Home owners are not calculatedly entitled to social assistance, except for recipient households of minimum sickness allowance and child home care allowance. The data-based analysis, on the other hand, indicates that in November 2012, seven per cent of recipients of Kela-administered benefits had simultaneously received social assistance. 42 per cent of general housing allowance recipients had received social assistance, 32 per cent of labour market subsidy recipients and 20 per cent of basic unemployment allowance recipients.

Among other significant changes in basic social security was the €100 level increase in student loans, which clearly reduced the students' calculated dependence on social assistance. At the same time the study grant of new students was raised by €30. The eight per cent cut of child benefit in 2015 has almost no effect on income levels, because the child deduction in taxation compensates for the change. The child deduction is beneficial only to those households depending on basic social security whose taxable income is sufficiently large. For instance, recipients of only student financial aid and guarantee pension do not benefit from the child deduction in taxation. The exempt amount of earnings in unemployment allowances, introduced in January 2015, and the exempt earnings amount in general housing allowance, to be introduced in September 2015, improve especially the financial status of low-paid workers and recipients of adjusted unemployment security. In the example calculations the income of low-paid workers were improved by seven per cent thanks to the exempt amounts.

In the calculations, the only household depending on basic social security, whose real income level declined during the time period, was that of a single parent receiving guarantee pension (income after housing costs –7%). Since the beginning of 2015, households of pension recipients with at least

one child are no longer able to choose between general and pensioners' housing allowance, and they are now only entitled to general housing allowance. The case describing the situation of a single-parent pensioner, housing allowance for pensioners would have been a clearly more beneficial choice than general housing allowance.

The disposable income after housing costs of households depending on basic social security benefits is insufficient to cover reasonable minimum consumption outlined in the reference budget, except for pensioners. In 2014, the level of basic social security covered 71 per cent of the reasonable minimum consumption of a single-dwelling unemployed person, student or sickness-allowance recipient. Recipients of guarantee pension who live in a rental dwelling were able to cover 99–104 per cent of the consumption of the reference budget with their income. When considering pensioner households it needs to be remembered that the reference budgets assume that members of different types of households are equally healthy and have equal health care expenses. The basic social security of single-dwelling home owners was enough to cover 71–110 per cent of reasonable minimum consumption. The income level of those depending on basic social security relative to minimum consumption reference budgets has risen since 2011, when the level of income of single-dwelling unemployed persons, students or sickness allowance recipients was able to cover 63 per cent of reasonable minimum consumption, and guarantee pension recipients' income covered 101 per cent.

The income level of persons depending on basic social security is below the level of minimum income deemed adequate in popular opinion. According to popular opinion in 2014, a household of one adult needs, on average, €720 for living, after taxes and housing costs. The income of a household receiving unemployment security, sickness allowance or student financial aid was enough to cover 66 per cent of the amount deemed adequate for living by the Finnish general public. The percentage was 85 per cent for guarantee pension recipients. The income level of households depending on basic social security has come closer to the income level considered an adequate minimum by the public since 2010, when the income level of an unemployed person covered 62 per cent and that of a pensioner covered 72 per cent of the perceived minimum amount. Especially the levels of national pension, child home care allowance and student financial aid are seen as inadequate in the popular opinion.

Taking the compensation of housing costs into account, the Finnish level of minimum social security is at a Western European average, and at the same level with, for instance, Sweden and Germany. However, analysed after housing costs, Finland's relative rank drops in the minimum level of social security of single dwellers. In Finland, the net income of a long-term unemployed household is 67 per cent of the net income of an average-paid worker (net replacement rate), which is higher than in most OECD countries.

Statutory basic social security treats both genders neutrally, but there are differences in the working and family careers of men and women, which have an effect on both accrual of earnings-related social security and recipiency of different basic social security benefits. The majority, 64 per cent, of recipients of basic social security benefits are women, when general housing allowance is taken into account. The overrepresentation of women is centred in benefits related to children and, due to longer lifetimes, in old-age pensions. However, the majority, 61 per cent, of single-dwelling general housing allowance recipients are men, as are most (53 per cent) of recipients of social assistance.

4.3 per cent of Finns or 231,000 persons were living in households, whose income consisted by over 90 per cent of basic social security, or basic social security benefits, housing allowances and social assistance. The number of persons depending entirely on basic social security has increased since 2011, when they were 3.9 per cent of the population. The most common sources of income for those depending entirely on basic social security were unemployment security and old-age or disability pension. The income of household-dwelling units depending entirely on basic social security was 43 per cent of the income of the entire household-dwelling population in 2013. The share has risen by two percentage points since 2011. Most persons who depend on basic social security long-term are middle-aged. In a relative analysis, the eldest recipients have the longest periods of dependence on basic social security. In 2013, persons depending entirely on basic social security had been in the position for an average of four years.

There have been no great changes in the allocation of benefits among income brackets since 2011. Most benefits are heavily allocated to low-income households. The benefits allocated most heavily to the two lowest income deciles are general and pensioners' housing allowance and labour market subsidy. Child benefits and sickness and maternity benefits are less allocated than other to households with the lowest income.

71 per cent of members of households, whose income is basic social security by more than half, have low income, 54 per cent of them report having income-related difficulties and housing costs take up 40 per cent of their income. Respectively, in the entire population, the low income rate is 13 per cent, 25 per cent report income-related difficulties and housing costs take up 16 per cent of income. The low income rate of households receiving basic social security has declined since 2011, whereas in the entire population it has remained the same. There has been a slight decline in reporting income-related problems among those depending on basic social security since 2011, although problems with paying bills have become more common.

Changes made in benefits and taxation in 2011–2015 have reduced income differences and the at-risk-of-poverty rate. Reforms of benefit and tax legislation have reduced the Gini coefficient alto-

gether by approximately 0.8 percentage points and the relative at-risk-of-poverty rate by approximately 1.4 percentage points. The legislative reforms have raised the disposable income of the lowest income decile the most and, similarly, reduced the income of the highest decile the most. The legislative reforms of 2011–2015 have also raised the participation tax rates of transitioning from unemployment to full-time employment and transitioning from part-time work to full-time work. Similarly, the share of unemployed persons facing a participation tax rate of over 80 per cent has increased. The level increase made to basic social security in 2012 has been the single greatest factor to explain the growth of the income-difference decreasing effect that income transfers and the rise of participation tax rates had during the analysis period.

Basic social security is a central institution in the social security model of the Nordic welfare state. The statutory regular evaluation of the adequacy of basic social security is an important tool in developing income security. Changes in population structure and in economic structures and circumstances constitute challenges for developing basic social security. In the time of a transforming operational environment and a tighter public economy, the role of independent and analytical research to support political decision-making is even more important.

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Appendices

Appendix Table 1. Numbers of recipients and amounts in euros of Kela administered benefits in 2013.

Benefit	Number of recipients during the year	Benefit expenditure in 2013, million €	Men		Women		Men to women ratio, %	
			Number during the year	Average benefit, €/month	Number during the year	Average benefit, €/month	Number	Benefit
Old-age pension	511,113	1,602.4	157,091	259.68	354,022	284.61	−55.6	−8.8
Disability pension	168,045	739.5	83,521	423.95	84,524	377.79	−1.2	+12.2
Guarantee pension	109,663	159.6	43,396	124.54	66,267	127.15	−34.5	−2.1
Frontline veterans' supplement	37,471	36.2	22,650	82.87	14,821	94.15	+52.8	−12.0
Orphan's pension	22,505	18.5	11,163	80.72	11,342	80.39	−1.6	+0.4
Child increase (recipients)	15,771	5.2	8,500	35.01	7,271	33.58	+16.9	+4.3
Unemployment pension	9,822	16.4	2,745	163.39	7,077	193.44	−61.2	−15.5
Survivors' pension	9,041	13.2	2,270	176.19	6,771	181.61	−66.5	−3.0
National pensions total	732,239	2,591.1	267,562	314.29	464,677	309.02	−42.4	+1.7
Housing allowance for pensioners	208,720	473.4	78,900	190.78	129,820	189.97	−39.2	+0.4
Pension benefits total	753,343	3,064.5	274,577	365.88	478,766	355.60	−42.6	+2.9
Parental allowance, greater than minimum	91,115	512.0	18,777	2,293.29	72,338	1,564.42	−74.0	+46.6
Maternity or paternity allowance, greater than minimum	119,869	468.7	57,542	2,096.13	62,327	1,805.26	−7.7	+16.1
Minimum parental allowance	14,585	30.2	355	604.04	14,230	597.62	−97.5	+1.1
Minimum maternity or paternity allowance	12,798	20.3	1,857	599.70	10,941	604.87	−83.0	−0.9

Benefit	Number of recipients during the year	Benefit expenditure in 2013, million €	Men		Women		Men to women ratio, %	
			Number during the year	Average benefit, €/month	Number during the year	Average benefit, €/month	Number	Benefit
Parental allowances total	160,164	1,031.1	59,605	2,097.02	100,559	1,516.35	-40.7	+38.3
Sickness allowance, greater than minimum	288,899	818.9	120,659	1,660.98	168,240	1,444.87	-28.3	+15.0
Minimum sickness allowance	12,445	25.8	5,998	594.84	6,447	594.33	-7.0	+0.1
Sickness allowance, less than minimum	15,516	4.8	5,958	359.30	9,558	363.15	-37.7	-1.1
Other sickness allowance	28,023	7.0	13,482	41.57	14,541	382.98	-7.3	-89.1
Sickness allowances total	311,677	856.5	130,726	1,503.46	180,951	1,308.68	-27.8	+14.9
Health insurance allowances total	449,317	1,887.6	188,573	1,606.01	269,673	1,442.74	-30.1	+11.3
Conscript's allowance	12,017	19.1	11,006	311.32	1,011	600.51	+988.6	-48.2
General housing allowance (reference persons)								
Single dweller	169,741	337.1	103,838	250.11	65,903	240.65	+57.6	+3.9
Single parent	56,671	208.3	3,648	384.16	53,023	405.19	-93.1	-5.2
Two-parent family with children	29,416	95.2	12,519	406.00	16,897	390.77	-25.9	+3.9
Childless couple	14,901	23.5	7,366	251.61	7,535	267.69	-2.2	-6.0
Other dwelling unit	9,310	5.5	3,259	323.32	6,051	332.49	-46.1	-2.8
General housing allowance, reference persons total	262,943	669.5	124,689	271.25	138,254	328.21	-9.8	-17.4
Labour market subsidy	260,994	1,434.1	139,073	750.37	121,921	777.08	+14.1	-3.4
Basic unemployment allowance	62,948	255.8	33,737	745.44	29,211	717.67	+15.5	+3.9

Benefit	Number of recipients during the year	Benefit expenditure in 2013, million €	Men		Women		Men to women ratio, %	
			Number during the year	Average benefit, €/month	Number during the year	Average benefit, €/month	Number	Benefit
Unemployment allowances total	305,118	1,689.9	163,783	749.61	141,335	767.58	+15.9	-2.3
Study grant	319,502	517.2	142,307	223.01	177,195	238.91	-19.7	-6.7
Housing supplement for students	216,715	280.9	93,255	190.38	123,460	190.22	-24.5	+0.1
Student financial aid total	326,209	798.1	144,711	350.36	181,498	370.62	-20.3	-5.5
Child benefit, two-parent family	498,793	1,196.9	20,597	108.16	478,196	115.63	-95.7	-6.5
Child benefit, single-parent family	116,065	295.9	13,522	157.05	102,543	158.46	-86.8	-0.9
Child benefit total	588,996	1,492.8	31,926	124.40	557,070	121.81	-94.3	+2.1
Child maintenance allowance	80,240	185.0	10,860	218.10	69,380	223.48	-84.3	-2.4
Child support	14,433	8.6	794	98.40	13,639	112.48	-94.2	-12.5
Child maintenance total	81,472	193.6	10,985	220.03	70,487	233.87	-84.4	-5.9
Childcare support, care allowance	147,998	323.8	10,110	307.21	137,888	317.67	-92.7	-3.3
Childcare support, care supplement	53,893	46.4	2,955	141.24	50,938	131.84	-94.2	+7.1
Childcare support, municipal supplement	61,566	96.8	4,392	295.46	57,174	242.41	-92.3	+21.9
Childcare support total	148,620	467.1	10,193	466.14	138,427	441.64	-92.6	+5.5
Other benefits total	1,202,162	5,335.0	372,317	535.17	829,845	425.05	-55.1	+25.9
Total	2,171,204	10,287.2	788,883	351.84	1,382,321	417.99	-42.9	-15.8

Appendix Table 2. Persons depending on basic social security by the duration of dependence in 2013: share of basic social security > 90% of household-dwelling unit's gross income.

	Number of years with basic social security comprising > 90% of gross income						
	Median	1	2–4	5–8	9–12	13–18	Total
	Persons						
Total	4	39,884	78,345	49,505	30,332	33,241	231,307
Main income source of household-dwelling unit							
Unemployment security	4	12,904	31,307	19,086	10,737	6,978	81,012
Old-age pensions	14	350	914	1,330	1,509	5,963	10,066
Disability benefits	10	1,646	4,350	5,888	5,996	11,534	29,414
Family benefits	2	8,335	11,933	4,469	1,731	712	27,180
Student financial aid	1	3,858	3,006	521	99	31	7,515
Other income source	4	12,795	26,831	18,211	10,260	8,023	76,120
Person's age in 2013							
Total	4	39,884	78,345	49,505	30,332	33,241	231,307
0–4	2	8,544	11,805	961	0	0	21,310
5–9	4	2,244	6,089	6,075	809	0	15,217
10–14	5	1,349	3,831	3,026	2,803	616	11,625
15–19	3	4,551	5,204	2,500	1,794	1,685	15,734
20–24	3	8,742	14,405	4,960	1,586	1,150	30,843
25–29	4	3,805	8,972	6,936	2,351	937	23,001
30–34	5	2,489	6,326	5,371	3,660	1,378	19,224
35–39	6	1,817	4,587	3,781	3,083	2,510	15,778
40–44	7	1,474	3,806	3,078	2,699	3,014	14,071
45–49	8	1,363	3,733	3,344	2,918	4,141	15,499
50–54	8	1,345	3,508	3,209	2,630	4,029	14,721
55–59	8	1,233	3,122	2,892	2,525	3,862	13,634
60–64	10	474	1,715	1,874	1,795	3,497	9,355
65–69	12	139	503	515	572	1,596	3,325
70–74	13	71	231	334	339	1,100	2,075
75–79	14	56	169	246	360	1,181	2,012
80–84	16	78	150	181	204	1,083	1,696
85–	17	110	189	222	204	1,462	2,187

Appendix Table 3. Number of household-dwelling units receiving basic social security benefits and benefit share of gross income in 2013.

	Income decile (disposable equivalent monetary income, weighted by person)										
	1	2	3	4	5	6	7	8	9	10	Total
Household-dwelling units total	339,962	315,701	275,334	250,059	242,329	238,230	233,869	232,991	234,297	236,841	2,599,613
Number of benefit-recipient households	1	2	3	4	5	6	7	8	9	10	Total
Kela-administered old-age pensions and benefits	75,880	104,150	68,832	48,107	33,205	24,348	18,192	13,889	11,260	11,626	409,489
Kela-administered disability pensions	26,439	39,266	20,845	13,203	10,298	8,701	7,206	6,050	4,962	3,574	140,544
Kela-administered unemployment pensions	610	1,254	888	720	530	405	314	198	154	132	5,205
Guarantee pension	24,671	23,309	10,926	7,069	5,161	3,807	3,133	2,615	2,222	2,154	85,067
Labour market subsidy	82,188	46,328	28,031	19,845	14,647	10,776	8,379	6,397	4,489	2,852	223,932
Basic unemployment allowance	13,891	11,923	9,333	7,123	5,650	4,309	3,556	2,727	1,909	1,129	61,550
Social assistance	84,867	57,483	29,342	15,338	8,979	5,668	3,838	2,553	1,545	704	210,317
General housing allowance	118,731	68,870	37,469	19,256	11,049	6,930	4,852	3,235	2,100	1,194	273,686
Housing allowance for pensioners	36,359	70,654	34,297	8,943	3,863	2,375	1,633	1,312	952	488	160,876
Financial aid for students	91,165	40,608	34,756	28,862	24,608	21,161	18,800	16,305	14,275	11,542	302,082
Kela-administered survivors' pension	3,481	2,646	2,525	2,249	2,019	1,805	1,791	1,552	1,374	1,114	20,556
Child home care allowance	15,657	16,355	16,657	16,794	15,916	14,516	13,284	10,813	8,648	6,639	135,279
Child benefits	48,227	54,413	59,275	61,631	63,716	65,033	64,771	59,798	52,761	48,371	577,996
Parental allowance	11,441	11,835	12,257	13,048	12,650	11,399	10,383	8,500	6,698	5,127	103,338
Sickness allowance	15,912	15,027	14,643	15,194	15,611	15,574	15,836	15,961	14,997	12,727	151,482
Earnings-related unemployment security	48,439	45,845	44,717	44,849	43,955	42,136	40,613	37,506	31,616	20,725	400,401
Earnings-related pensions	96,514	177,885	150,001	119,497	97,363	85,936	76,661	68,829	63,514	67,291	1,003,491

	Income decile (disposable equivalent monetary income, weighted by person)										
Share of benefits in the total income of benefit-recipient households, %	1	2	3	4	5	6	7	8	9	10	Total
Kela-administered old-age pensions and benefits	37.6	22.3	14.9	10.6	8.7	7.2	6.1	5.2	4.4	2.5	12.3
Kela-administered disability pensions	44.0	28.5	17.1	12.7	10.1	8.5	7.3	6.2	5.3	3.1	14.7
Kela-administered unemployment pensions	22.9	12.8	7.3	5.3	4.8	3.8	3.6	3.0	2.5	1.5	6.2
Guarantee pension	12.5	8.8	5.5	4.1	3.3	2.7	2.2	1.9	1.5	0.8	4.9
Labour market subsidy	39.5	24.0	14.6	10.4	8.0	6.2	4.9	4.0	3.3	2.4	15.5
Basic unemployment allowance	29.7	16.1	10.5	8.2	6.3	5.4	4.3	3.4	2.7	2.1	9.5
Social assistance	20.9	15.7	11.5	9.2	7.3	6.1	4.7	4.5	3.9	2.8	13.0
General housing allowance	18.0	12.1	7.1	4.5	3.1	2.3	1.7	1.5	1.2	0.7	9.6
Housing allowance for pensioners	16.7	16.5	11.9	8.7	7.1	6.0	5.2	4.2	3.5	2.0	12.8
Financial aid for students	24.1	10.2	6.5	4.6	3.4	2.8	2.2	1.7	1.4	1.0	5.3
Kela-administered survivors' pension	8.1	6.5	4.7	3.6	3.0	2.7	2.5	2.1	1.8	1.1	3.1
Child home care allowance	16.1	9.6	6.9	5.4	4.2	3.4	2.8	2.3	1.9	1.0	4.3
Child benefits	13.3	9.1	6.6	5.1	4.0	3.3	2.8	2.3	1.9	1.1	3.4
Parental allowance	19.7	15.7	14.5	14.4	14.1	13.4	12.7	11.9	10.6	6.8	12.7
Sickness allowance	13.9	10.8	8.7	7.2	6.2	5.6	5.0	4.4	3.9	2.7	5.4
Earnings-related unemployment security	23.1	23.1	19.5	16.3	13.7	12.1	10.5	8.9	7.3	5.3	12.2
Earnings-related pensions	51.6	67.4	73.2	72.3	67.6	61.7	55.5	50.5	45.6	32.3	54.4

Source: Statistics Finland, total statistics on income distribution.