

Register-based study on benefit receipt before and after centralizing the administration of social assistance in Finland

Expert workshop on non-take-up and coverage of social benefits

Brussels - Belgium, 11 – 13 March 2020

Tuija Korpela

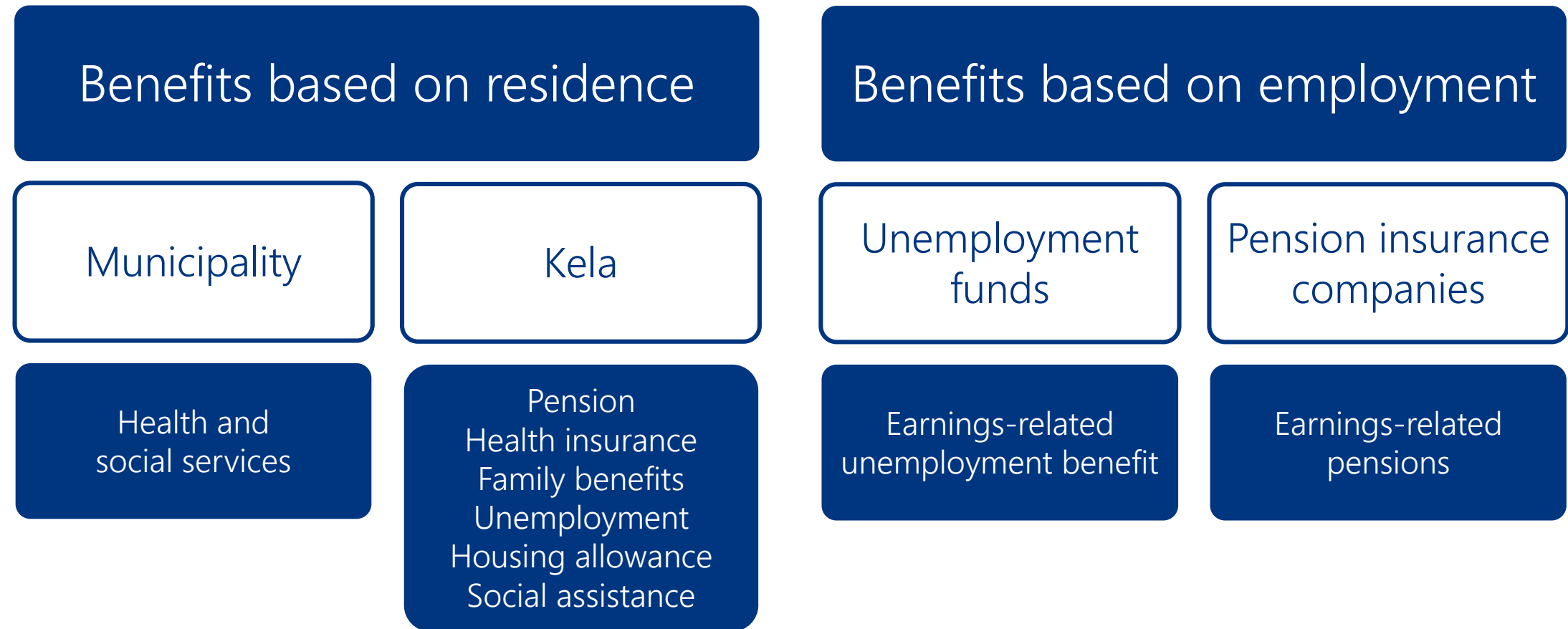
Researcher

Social Insurance Institution of Finland

Research unit

Kela|Fpa[®]

The Finnish social security system



Primary benefits towards social risks

Unemployed

- Earnings-related unemployment allowance
- Basic unemployment allowance
- Labour market subsidy

Incapable for work due to sickness

- Sickness allowance
- Disability pension and other benefits
- (Both earnings-related and basic level)

Families with children

- Maternity, paternity and parental allowance
- (Both earnings-related and basic level)

Pensioners

- Earnings-related pension
- Basic level national pension, guarantee pension
- Surviving spouse's pension

Other related benefits

- Financial aid for students
- General housing allowance
- Pensioner's housing allowance

Social assistance

- A last-resort form of financial assistance for individuals and families residing in Finland
- Intended for persons who are unable to make a living either through work or self-employment, from social security benefits, or by relying on their other income or assets
- Intended to be a source of short-term financial aid that helps to overcome or avoid temporary difficulties and promotes autonomy and independence

Three components of social assistance

Basic social assistance – provided by Kela (2017 onwards)

- Expenses covered by the basic amount and other basic expenses (housing, health costs etc.)

Supplementary and preventive social assistance – provided by municipalities

- Specific expenses that are not covered by the basic social assistance: some housing costs, expenses related to the specific needs and circumstances of the family
- Preventive social assistance is granted according to specific criteria defined by the municipality
- The claimant has to have received (either a favourable or unfavourable) decision on basic social assistance from Kela before claiming supplementary and preventive social assistance (2017 onwards)

Basic social assistance

Basic amount is a fixed sum of money needed for the essential costs of daily living

- Food, clothing, minor medical expenses, personal hygiene, public transport, telephone, internet, hobbies, etc.
- For a person living alone the amount in 2020 is €502.21 per month

Other basic expenses, recognised up to a reasonable amount

- Housing, other medical expenses (health centre user fees, copayments on prescription medicines), necessary moving costs, daycare costs, the costs incurred by the non-custodial parent for seeing their child, the cost of obtaining a necessary identity or travel document

Basic social assistance is means-tested

- A household is entitled to basic social assistance only if its expenses are higher than its income
- Household comprises of adults and children under 18 years old living under the same roof
- The amount paid to the household is based on a calculation
 1. The income (including most social security benefits, earned income) and the assets of the household are added up = **Income**
 2. The basic amount(s) (each member of a household has their own basic amount) and other basic expenses are added up = **Expenses**
 3. $\text{Expenses} - \text{Income} = \text{Amount of the basic social assistance paid to the household}$

The role of basic social assistance in Finland

- The level of basic social security benefits is inadequate for living
 - 20-50% of the recipients of minimum level benefits receive basic social assistance on top of the primary benefit
 - Prolonged need for basic social assistance
- Housing costs are high especially in bigger cities
 - Over 80% of basic social assistance recipients receive housing allowance, but it does not cover all housing costs
 - About half of the paid basic social assistance goes to housing costs
- About 30% of the basic social assistance recipients do not receive any primary benefits, usually due to sanctions related to unemployment benefits
- 7-8% of the population receive basic social assistance

Reform in 2017: the administration of basic social assistance was transferred from the municipalities to Kela

Some objectives

- To reduce the non-take-up of social assistance and primary benefits through one-stop-shop and better digital services
- To enhance parity between individuals living in different municipalities
- To free up resources for “actual” social work in the municipalities
- Save municipalities’ administrative costs

Some risks

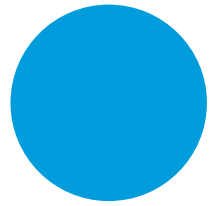
- Costs will increase
- Not all municipalities have a Kela office -> accessibility?
- Not identifying people who need other than financial support
- Connection with social services will be disrupted
- A lot of discretion is transferred to non-professionals

Empirical study on what happened to the recipients

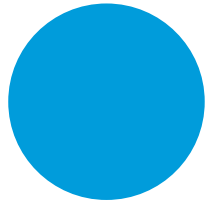
Research design

- Population of the study consists of all adult inhabitants of Helsinki at the end of all years 2015–2017 (N=474,296)
- The data were collected from two administrative registers
 - Pre-reform data from administrative registers of the city of Helsinki
 - Post-reform data and background variables from registers of Kela
- Variables:
 - Age, gender, nationality
 - Family type, applications, number of months on basic social assistance

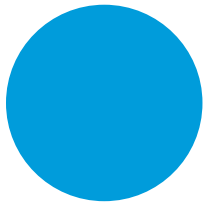
Research questions



How did the reform affect claiming basic social assistance in Helsinki?

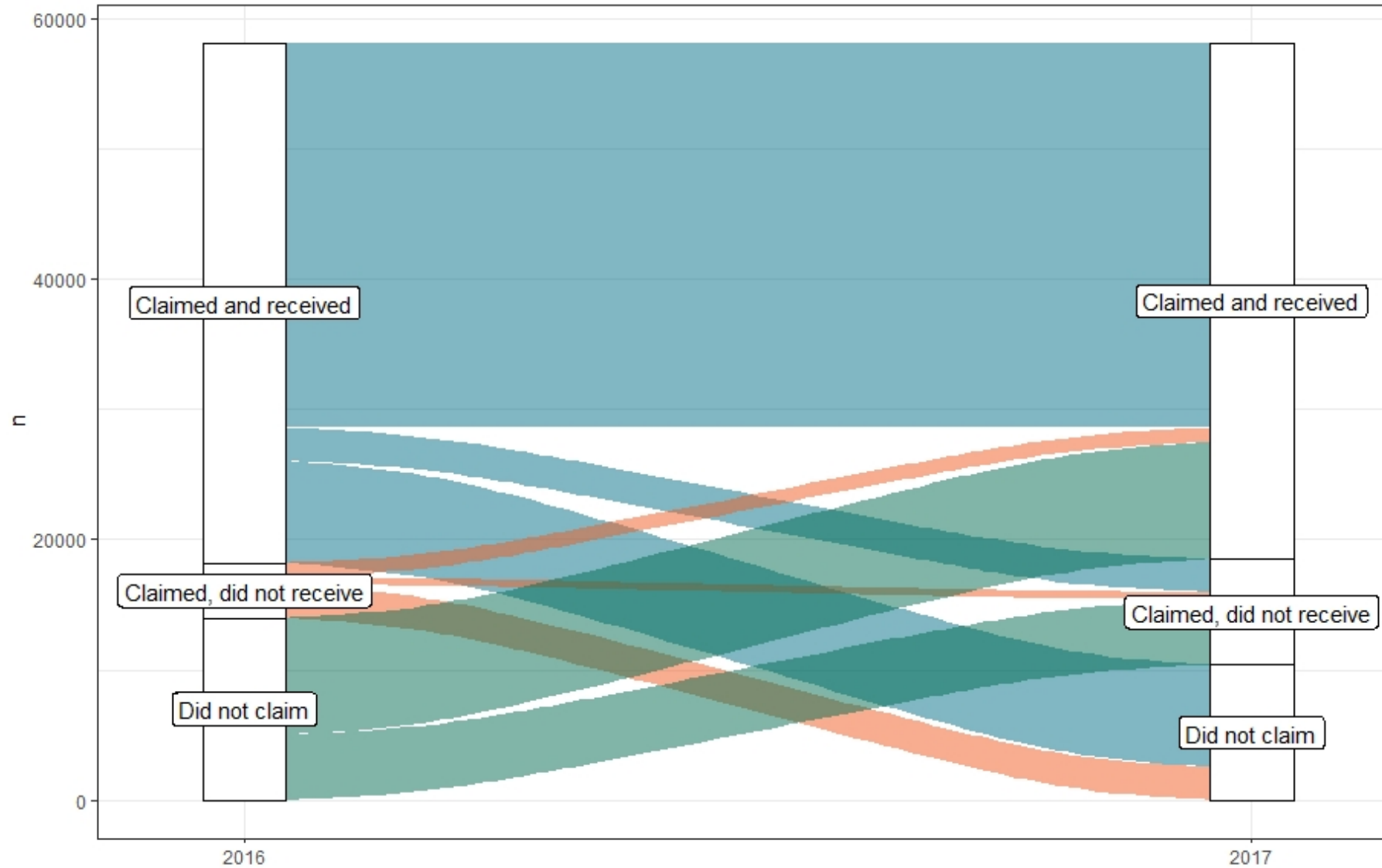


Did the profile of the recipients change with the reform?



Did the number of months on basic social assistance change?

Flow of claimants of basic social assistance



How did the reform affect claiming basic social assistance in Helsinki?

- In both years approximately 40,000, or 8,4% of the permanent adult population received basic social assistance
 - 6,2% of the population received BSA in both years, one fourth of the recipients changed
- Number of applicants whose application was rejected almost doubled
 - Every fourth of those whose application was rejected in the municipal social services received basic social assistance from Kela in 2017.
 - Every third of those whose application was rejected in 2017 had received basic social assistance from the municipal social services.
- The two agencies seem to determine eligibility differently even though there were no changes in the legislation in that sense
- Kela seems to be more approachable to find out one's eligibility for social assistance

Did the profile of the recipients change with the reform?

Population groups in which receipt increased

- People aged under 45
- Other than Finnish citizens
- Married people or people with unknown marital status

Population groups in which receipt decreased

- People aged 55 or more
- Finnish citizens
- Single, divorced, widows

Did the number of months on basic social assistance change?

- Focus on people who received basic social assistance both before and after the centralization (n=29,536)
- Before the reform the median number of months in a period of 24 months (2015–2016) was **20** months (mean 16.8) and after the reform (2017–2018) median was **17** months (mean 15.1)
- The number of months decreased in all population groups except in the group of citizens from typical refugee countries of origin (median 20) or with 'other or unknown' citizenship (median 18)
- The largest decreases were in the oldest age groups
 - 55–64: **23**->**16** (median)
 - Over 64: **19**->**9** (median)

Conclusions

- The number of recipients stayed the same, but there were changes in the population receiving basic social assistance
- The reform seems to have benefitted the young, immigrants and families with children - especially elderly people may have suffered
- People who are able to use digital services and need only (temporary) financial aid are seen as winners
- People who need support in filling the applications, understanding the decisions, preventive and supportive social assistance or other help from social services seem to face now more difficulties now

Latest (pre-reform) study on non-take-up of social assistance: "eligible households who do not take up the benefit are experiencing only a short-term fall in income" (Paukkeri 2018)

Thank you.

Tuija Korpela

Researcher

Social Insurance Institution of Finland

tuija.korpela@kela.fi

Kela|Fpa 