The Finnish social security system
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Social security in Finland

• one of the world's most advanced and comprehensive welfare systems
• designed to guarantee dignity and decent living conditions for all Finns.
• Core to the system are
  – social insurance (pensions, sickness & unemployment benefits, workers' compensation),
  – welfare (family aid, child-care services, services for the disabled), and
  – a comprehensive health care system.
Strategy for Finnish social policy

The strategic vision and course for achieving a socially sustainable society that

• Treats all members of society fairly
• Reinforces participation and a sense of community
• Supports health and functional capacity
• Provides the security and services required by its members

(Socially Sustainable Finland 2020, Ministry for Social Affairs and Health)
Social and health care in Finland

• Basic rights in the constitution: the government must provide every person with sufficient social and health care services

• The main features of the Finnish social protection system are:
  – the principle of universality
  – a strong public sector
  – funding of services mainly by taxation

• Framework legislation; no detail instructions on the extend and content of service provision

• Comprehensive pension system (basic and earning-related pension schemes)
Social and health care in Finland

• Local authorities/municipalities are responsible for the provision of social and health services
• For the elderly, municipal services include home help services, housing services, institutional care, support for informal care
• The municipalities finance their social and health services out of state subsidies (31 %), client fees (9 %) and municipal tax revenues (60 %). In institutional care the share of clients is higher.
Some features and trends of the Finnish system

- Universality
- Competent and well-educated staff
- Clients mainly satisfied
- Relatively cost-efficient
- Relatively high share of institutional care
- Increasing public – private – partnership
- Health promotion and preventive services are increasing
Finland as an aging society

- The aging population concerns all sectors of society
- Access and rights to service and support
- The quality of services
- The amount and competence of staff
- The financial base of services
- Effectiveness and methods of producing services
- Keeping client fees feasible
- Home based services
- The status of informal carers
Strategic choices

1. A strong foundation for welfare
2. Access to welfare for all
3. A healthy and safe living environment

• Putting policies into practice
  – Cooperation secures welfare
  – Active influence in international cooperation
  – Knowledge-based decision-making
  – Effective communication
Strategic lines

1. A strong foundation for welfare
   – Health and welfare in all policies
   – Longer working careers through wellbeing at work
   – Balancing the various areas of life
   – Sustainable social protection financing

2. Access to welfare for all
   – Reduce differentials in welfare and health
   – Customer-oriented services
   – New service structures and operating practices
   – Strong sense of social inclusion
Strategic lines

3. A healthy and safe living environment
   – Strengthen the viability of the environment
   – Ensure that society can continue to function under exceptional circumstances
The Pension Scheme

Main principles

• individual rights
• to protect the whole population for basic coverage
• to protect the population on similar premises
• to ensure an adequate standard of living after a full working life
• Benefits: old age, disability and survivors’ pensions (unemployment pension), some early retirement schemes
The National Pension Scheme

- entitlement based on residence
- covers all residents between 16-64
- benefits are
  - old age pension from age 65
  - disability pension
  - survivors’ pension

- **Guarantee pension amount** (from 1.3.2011)
  - Guarantees a total minimum pension amount to persons resident in Finland; means-tested
The National Pension Scheme

• Administration: The Social Insurance Institute (Kela)
• Financing: tax-financed; pay-as-you-go
The Employment Pensions’ Scheme

- based on earnings and accrual
- insurance-scheme
- covers all gainfully active
- benefits are (i.a)
  - old age pension from age 63 – 68
  - early old age pension from age 62 with reduced benefit
  - disability pension
  - survivors’ pension
  - (unemployment pension; abolished 2005)
The earnings-related Pension Scheme

- An earnings-related pension is based on gainful employment or self-employment.

**Benefits:** old-age pension, disability pension, partial disability pension, vocational rehabilitation, survivors’ pension, unemployment pension and part-time pension
The earnings-related Pension Scheme

Key principles since 2005:
• Pension accrues from all employment after the age of 18 years.
• A pension is influenced by earnings all through the career.
• The flexible pensionable age is between 63 and 68 years.
• The pensions payable and the earnings during worklife computed for the starting pension are indexed and the index is affected by changes in consumer prices and wages.
• From the beginning of 2007 pension benefits in the private and public sector have been of the same content.
The earnings-related Pension Scheme (2)

Execution:
• Authorised pension insurance companies, pension funds, pension foundations, the State Treasury, and the Local Government Pensions Institution
• The Finnish Centre for Pensions is the cooperation body

Funding:
• The scheme is benefit-based, and the target level of pensions in relation to earnings during work life is determined in legislation.
• The costs are covered by contributions collected from employers, employees and self-employed persons. The state contributes to funding the pension provision for self-employed persons.
• A part of the contributions is used for payment of current pensions and a part is funded for future old-age pensions.
• The level of contributions varies between the private and public sector.
Administration

• administered by private pension institutions
• the Central Pension Security Institute (ETK) is the coordinating body of the private sector institutions
• regulated and limited competition
• pension institutions are non-profit organisations
Residence-based Social Security

Entitled to benefits such as:
- family allowance
- student financial aid
- maternity allowance
- sickness allowance
- cash benefits for parents
- reimbursement of medical expenses
- unemployment benefit / allowance (non-earnings related)
- labour market subsidy
- child care subsidies
- old-age retirement pension