

## **Finland as a welfare society**

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The Finnish system of social security follows the path of the Nordic model in which the basic idea is redistributive. This means that the central value is equality: that every citizen should be granted equal security no matter what is his/her background and birth. This model that was adopted from Sweden has been developing in Finland since the 1950s, reaching its current width only since the end of the 1980s. Many of the benefits are flat rate and based on free or heavily subsidised public services. The funds for the system's needs are collected through governmental and local taxes and the central actors are the state and municipalities. This differs from example from the Southern European welfare model in which benefits are a form of social insurance and come along people's work and are dependent on their income, and paid by different kinds of Kassen. In the liberal model followed in the Anglophone world, the system is again different, the basic value being freedom and benefits delivered according to tested need by the central state, not in order to redistribute but targeted only to the needy.

The Nordic model is basically possible only in a situation in which there is a largely homogenous population base, sharing possibly language and religion which means a common normative basis to legitimate the system. This is also possible in a political system of coalition governments and would be more difficult to bring about in a two-party system which creates a less sustainable, long-term policy that is necessary for such a model of social security.

The benefits of this system are that it has meant low life cycle poverty: it helps people to get over difficult periods in life such as studying, having small children or old age, and reduces the risk of falling into permanent poverty in such situations. The Nordic model reduces inequalities in society as income differences become narrower through the redistribution. Due to the system, it is possible for women to work despite having children, which means high employment rate among women and relatively high fertility in European terms. The general legitimacy of the system is high among the population, even though people commonly complain about taxes. However, they usually are happy with the services they receive and many would even be prepared to pay more taxes if that would solve certain remaining social problems. The state and municipal income tax is deducted directly from the salaries of those who are employed. Most of the services – education, health care, day care for children, old age care – are provided by the municipalities. Clients pay part of the expenses directly as fees but mostly they are covered from the tax payers' money. Other important benefits are pensions (partly general partly income-tested), child allowance, maternity and paternity allowance, unemployment benefit (general or income based) and student allowance.

The future challenges of the system are many. First, globalization and even harder competition for work and investments leads to the pressure to cut taxes. Thus there is less resources for financing the welfare system. The ageing population reduces the available resources further while creating growing need for pensions and health care. Despite the benefits, there is still problem of poverty especially among families of small children and single parents. Due to these pressures, there is a need to transform the system. A government committee is currently undertaking the task of reforming the social security system.