



Department of the
European Social Charter
by email social.charter@coe.int

IOK/3251/2024

28 June 2024

Submission by the Human Rights Centre (NHRI)

This document contains observations by the Finnish Human Rights Centre (HRC¹, NHRI) to the European Committee on Social Rights for the consideration of the ad hoc report of the Government of Finland on the cost-of-living crisis.

Should you have any further questions or need for additional information, do not hesitate to contact us at info@ihmisoikeuskeskus.fi.

Report on the cost-of-living crisis

1. The Government of Finland has submitted its report on the cost-of-living crisis to the Committee on 22 December 2023. The Government's report gives an account of measures undertaken by Finland in light of the ongoing cost-of-living crisis by answering the 10 related questions furnished by the Committee.

Preliminary observations

2. To provide background for the Government report, some initial remarks are in order on Finland's social security system and its recent developments, many of which the Human Rights Centre considers troubling.
3. The Human Rights Centre refers to observations it has previously made in its submissions to the Committee, where the HRC has regretted the knotty social

¹ The Human Rights Centre represents the Finnish National Human Rights Institution (NHRI) in international NHRI cooperation and other international and European cooperation in human rights.

The NHRI comprises the Human Rights Centre, its pluralistic 39-member Human Rights Delegation, and the Office of the Parliamentary Ombudsman. The institution complies with the UN Paris Principles and the Global Alliance of NHRIs (GANHRI) accredited it with A-status in 2014 and 2019.

The role of the National CRPD Monitoring Mechanism (Article 33 (2) of the CRPD) was assigned by law to the Finnish National Human Rights Institution in 2016.

security system of Finland and the inconclusive data provided to international bodies on its functioning.² The HRC has also noted its concerns over the inadequate levels of social security in Finland, a reality that the ongoing cost-of-living crisis has only served to exacerbate. The crisis has brought along further hardships to people already reliant on social security due to their vulnerability or financially precarious position, such as low income families, older persons, people with disabilities, students and asylum seekers.

4. Since the beginning of its mandate in 2023, the current Government has primarily emphasised the balancing of state budget as well as business and employment concerns as the issues in the direst need of tackling in Finland. While not outright dismissing the existence of the cost-of-living crisis, the Government has nonetheless steered its crisis narrative in a way where concerns over the decline of general wellbeing and Finland's social security system are invariably trumped by the necessity to bridge gaps in Finland's fiscal sustainability. This has led to sweeping austerity measures across the different branches of the Government. At the time of the publication of the Government Programme for 2023–2027, the budget cuts planned for social security were estimated at around 1,5 billion euros.
5. As per its Programme, the Government has enacted cuts to nearly all significant social security benefits except for pensions and social assistance, the latter of which functions as the system's last-resort support mechanism (and is furthermore burdened with the heaviest amount of bureaucracy while applying for it). The bulk of the cuts has been carried out by freezing yearly index-based increases of said benefits during the period of 2024–2027. The index freezes thereby directly affect, *inter alia*, unemployment benefits, housing allowances, child care allowances and student grants.
6. It should be noted that while the temporary index freezes are set to conclude in 2027, the cuts arising therefrom may remain permanent as no plans for compensating for the freezes are in place for the post–2027 period. Most of Finnish social security benefits are, by law, tied to the National Pensions Index, which in its turn is tied to the Cost-of-Living Index.³ Besides explaining the practice of indexation of social security benefits, the Government report also makes note of the 2024–2027 index freezes.
7. Further cuts have been enacted by targeted measures to individual social security benefits. For example, conditions for receiving unemployment benefits were tightened by entirely removing the exempt amount of 300 € that the beneficiary had until then been entitled to earn per month without an effect on the level of unemployment benefits received. The Government is also implementing changes where wage-subsidised work would no longer accumulate days into the so-called work requirement (fi: *työssäoloehto*, sv:

² See, for example, HRCs observations to the Committee on the Finland's follow-up to Collective Complaints under the European Social Charter, dated 30 June 2023.

³ The Cost-of-Living Index is compiled by the work of Statistics Finland (*tilastokeskus* in Finnish, *statistikcentralen* in Swedish), Finland's national statistical institute.

arbetsvillkoret), a precondition for earnings-related unemployment allowance. The HRC points out that such changes herald a jarring situation especially to people with disabilities, whose access to employment is often reliant on wage-subsidised work.

8. Stricter conditions have been applied also to other benefits, such as housing benefits. Further, the state-backing for student loans has been extended to higher possible loan amounts. Students remain the only group who are expected to supplement their social security (student grants⁴) by loans, as they are not eligible for unemployment benefits while enrolled as students.⁵ The HRC considers questionable the practice of calculating student loans as part of the students' social security merely due to their state-backing.
9. It should also be noted that planned and enacted cuts have significantly hit state-funded organisations that have a pivotal role in providing and facilitating services pertaining to social security, health and general wellbeing. The Ministry of Social Affairs and Health, for example, has announced in June 2024 plans to cut as much as a third of the grants for organisations involved in social work and health. In 2023, applications for these so-called STEA-grants were received from 984 different organisations while the awarded grants amounted to 373,6 million euros.⁶

Observations on the report

10. The Government report provides basic information on current levels of many social security benefits in Finland. The HRC considers it good practice to make known, as the report does, that amounts indicated for different benefits are provided as net amounts, with taxes and other such increases excluded.
11. In February 2023, shortly before the current Government took office, the Finnish Institute for Health and Welfare (THL) published its latest assessment on the adequacy of basic social security in Finland.⁷ The report concluded that during the period of review, the basic social security of the unemployed, ill, and

⁴ The basic student grant is currently capped at 279,38 € per month for beneficiaries with no children.

⁵ Due to the very low levels of student grants and to mitigate their reliance on loans, students very commonly rely on part-time and sometimes full-time work to supplement their incomes. During the covid-19 pandemic, the students' ineligibility for unemployment benefits was temporarily lifted, thereby allowing working students relief during the unemployment situation caused by the pandemic. During the same time, the now eradicated exempt amount one was allowed to earn while receiving unemployment benefit was also temporarily raised from 300 euros to 500 euros, for everybody.

⁶ https://stm.fi/-/stm-asettaa-selvityshenkilön-stea-avustustoiminnan-linjausten-valmistelun-tueksi?utm_source=Laastari+j%C3%A4ttiliikkauksiin+%7C+Selvitys+j%C3%A4rjest%C3%B6jen+hallintokustannusten+v%C3%A4hent%C3%A4misest%C3%A4+%7C+Suomessa+yll%C3%A4tys%2C+Euroopassa+pieni%C3%A4+liikkeit%C3%A4&utm_medium=email&utm_campaign= (in Finnish).

⁷ Fourth evaluation group on the adequacy of basic social security. Perusturvan riittävyys arviointiraportti 2019–2023 (Evaluation report on the adequacy of basic social security 2019–2023), Finnish institute for health and welfare (THL), Report 3/2023 (Helsinki, Finland 2023), <https://www.julkari.fi/bitstream/handle/10024/146182/> (in Finnish).

persons on parental leave was inadequate to cover the consumption of reference budgets used in the assessment. These budgets were anchored in a notion of social security which provides minimum subsistence to persons who themselves are unable to earn an income required for decent life. The social security of students was found to be enough to cover the reference budget expenses only when supplemented with student loans. The pensioners' basic social security, on the other hand, was deemed sufficiently high.

12. From the standpoint of minimum level of benefits, the HRC points out that several social security benefit amounts currently stand below the level of 40% of the net equivalised median income in Finland. Underneath this 40% marker were at least basic unemployment allowance, labour market subsidy, sickness allowance, parental allowance, rehabilitation allowance and guarantee pensions. In terms of these benefits, Finland's social security fails to cover a level considered sufficient for basic subsistence and is therefore manifestly inadequate in the meaning of the European Social Charter framework. This has also been found in several decisions taken on collective complaints against Finland by your Committee.
13. As noted in previous observations by the HRC, Finland continues to struggle with implementation of decisions taken against it on several collective complaints under the Charter, four of which concern insufficient levels of social security. The oldest case where implementation is still pending was given in 2012. All in all, eight decisions taken by your Committee have not yet been implemented.
14. The HRC notes that Finland remains non-compliant also with its obligation to combat poverty and social exclusion as per Article 30 of the Revised European Social Charter, as no coordinated overall approach for this purpose has been put in place by way of a governmental action plan or other such means.
15. The Government report betrays a concrete manifestation of the recent backsliding in the Finnish welfare system by explicitly referring to the Government's plans to establish a system of permanent funding for food aid organisations as a means to combat poverty (under question 9). The HRC points out that, as opposed to a functioning social security apparatus, food aid should not even be considered as a means to tackle poverty, for it merely provides people a means for day-to-day survival in situations of poverty. Until now, food aid has not been based on governmental structures and has always relied on private organisations and charities.
16. Another very troubling development is the increase of poverty among families with children. In 2022, approximately 118 900 children (11,7% of all children in the country) lived in families with low incomes.⁸ In the same year, approximately 48 000 families with children were beneficiaries of social assistance, i.e. 8,7% of all families with children.

⁸ <https://itla.fi/lapsiperhekoeyhyys-datana/> (in Finnish).

17. The amount of child benefit, which over the years has not been indexed to the cost of living, remains at the same level as it was in the year 1994 in real terms. Child benefits are paid only for every child under the age of 17. The HRC considers the deterioration of social security connected to children troubling as well as incompatible with the commitments Finland has made in relation to the European Child Guarantee. The small raises to child benefits indicated in the Government report offer only minuscule relief to the situation, as do the reported raises to provider supplements for students who have children (question 6). In light of the situation in Finland, the HRC considers it imperative that the Government take more meaningful action to combat the mounting problems pertaining to child poverty than it has thus far done.
18. In terms of developments in overall salaries, the current Government advocates a transition into a wage model where sector-wide periodical pay increases would be capped at the levels negotiated in the industrial exports sector. In many instances, this sector already commands better salaries than the non-export sectors. Such a model would likely reinforce leaving behind the wage development in many low-salary, often female-dominated sectors of employment.
19. It should also be noted that the National Coalition Party, i.e. the leading party of the Finnish Government, decided in its annual party conference in June 2024 to consider the potential need to revoke the currently law-mandated double pay for work done on Sundays and bank holidays. While revokements of this kind are currently not included in the Government Programme, the HRC nonetheless notes that such developments would have dire effects on several low-wage sectors saddled with unusual working hours, leading to considerable pay decreases.
20. The issue of revoking double pay is connected to the ongoing advocacy to shift the bargaining power in employment contracts towards the employers' side by, for example, moving from collective bargaining agreements to locally agreed-upon work contracts. Hitherto, and as also indicated by the Government report, a clear majority of the workforce in Finland remains under universally binding collective bargaining agreements facilitated by trade unions.
21. The HRC highlights that several of the actions detailed in the Government report represent temporary measures, the overall impacts of which to the general wellbeing remain insignificant. The temporary assistance for electricity costs (under questions 4 and 7) is an example of this. While the *ad hoc* assistance undoubtedly afforded important temporary relief to some of the households that were adversely impacted by the Finland's electricity price shocks during the winter of 2022–2023, such measures had very little overall effect against the backdrop of the steady decline in both the purchasing power and the general wellbeing in Finland. Other measures, such as the plans to fund food aid, entail only negligible increases in government spending when compared against the scope of the savings the Government seeks to realise in, say, social security.

Observations on long-term concerns and the rule of law

22. The deficiencies already present in the Finnish social security system as well as the hard policies of the current Government have unsettling consequences to those most affected by the current cost-of-living situation. For them, the measures reported by the Government are of little help as most of them are simultaneously affected by the ongoing budgetary crises in healthcare and social work.
23. Problems in health care and social services are partly due to the massive administrative overhaul enacted in Finland in 2023, by which municipalities relinquished their responsibility for these services to the newly formed wellbeing services counties. Many of the counties have commenced their work under tremendous budgetary constraints and administrative challenges, leading to a lack of services in many areas of healthcare and social work across the country. The wellbeing services counties receive their funding directly from the state budget and do not have the right to levy taxes from their constituencies, despite constituting a new level of governance with its own elections, councils and administrative structures.
24. As the state's capability to offer sufficient public health services has diminished, the public sector has consequently been forced to purchase ever more services from the private sector to meet the service demands. This will have the long-term effect of increasing costs both for the state and for the patients (for example by way of rising client charges). Rising costs will further weaken the availability of healthcare services.
25. Older persons are clearly among the most vulnerable when considering the cost-of-living situation and the recent trends in the healthcare system. Whilst pensions have thus far remained one of the few social security benefits untouched by the index freezes, the prospects of low-income pensioners for acquiring the health services they need are worsening because of the rapidly rising costs.
26. People with disabilities are another example of a group for which hardships accumulate, owing to the important role that social security very often plays in facilitating a dignified life. Overall cuts and freezes herald especially tough adjustments to people with disabilities when the decreases in benefits received is compounded by the now stricter conditions for unemployment benefits, for example.
27. The HRC has also followed with growing concern the societal situation of young adults in Finland. Due to their relatively higher reliance on social security, young people are expected to bear a higher brunt on the Government's austerity measures when compared to many other population groups. Students are consequently facing a higher pressure to cover their

living expenses by loans (student loans or otherwise), thereby causing a troublingly increasing trend in the indebtedness of young people.

28. Among the deepest concerns among young adults is the increasing prevalence of problems relating to mental health, a situation that the Deputy Chancellor of Justice has characterised as a serious human rights issue and a cause for widespread human suffering⁹. The Government has planned to tackle the issue by instituting a “therapy guarantee” at the beginning of 2025. As per the planned guarantee, all children and young people under the age of 23 would have a guaranteed access to short-term therapy services within 28 days of first instance of treatment. In its statement to the proposed Government bill, the HRC has *inter alia* emphasised that the frequently occurring resource constraints within the welfare services counties must not be allowed to foil the therapy guarantee.¹⁰ Civil society organisations have, moreover, called for a wider age scope to the guarantee, as the surmounting crisis on mental health affects young people also well beyond the age of 23. Finland, by legal definition, considers all adults under the age of 29 as young adults.
29. The HRC also wishes to highlight the need to recognise the particular kind of vulnerability among young people. This vulnerability pertains not only to specific issues such as mental health, but also to the more systemic vulnerabilities that young adults are exposed to due to the transitional stage to more independent and self-sustained lives. To be sure, the systemic vulnerability also stems from the fact that young people over 18 years of age are no longer protected by neither the UN Convention on the Rights of the Child nor domestic legislation aimed to specifically protect children.
30. While cuts to social security affect most pervasively those already living in economic hardship or downright poverty, the Government has put in place only a few compensatory measures to tackle the ensuing problems to those most affected by the cuts.
31. Consequently, the widely anticipated net effect of the austerity measures is that many more people will be forced to resort to social assistance, against the stated target in the Government Programme of reducing the amount of people relying on this last-resort financial measure. For example SOSTE, the umbrella organisation of Finnish NGOs working in social affairs and health, has estimated that the cuts would force as much as 47 000 new people to resort to social assistance.¹¹ Similarly, SOSTE has estimated that nearly 17 000

9

https://oikeuskansleri.fi/documents/1428954/145162814/julkaistu_ratkaisu_lasten_ja_nuorten_mielenterveys_ja_psykiatriset_palvelut_OKV_294_70_2020.pdf/8a71ab3a-2e79-bdcb-566d-2f889c65ff5f/julkaistu_ratkaisu_lasten_ja_nuorten_mielenterveys_ja_psykiatriset_palvelut_OKV_294_70_2020.pdf?t=1673855590030 (in Finnish).

¹⁰ The planned budgetary increase to realise the guarantee is 35 million euros.

¹¹ <https://www.soste.fi/uutiset/sosten-laskelmat-nain-sosiaaliturvan-kumuloituvat-leikkaukset-vaikuttavat-kateen-jaaviin-tuloihin-koyhyys-lisaantyy/> (in Finnish).

children are in danger of falling under the poverty threshold due to the Government's policies, adding to the already high number of families with children living in poverty.¹²

32. Considering the above, the HRC notes that prospects for meaningfully tackling the ongoing cost-of-living crisis with the measures detailed in the Government's report are at best rendered dubious by the recent legal and socio-economic developments.
33. It should also be noted that in the drafting of its bills, the Government has repeatedly neglected to assess in any adequate fashion the impacts of the planned reforms in the *travaux préparatoires* for the budgetary cuts and other austerity measures. The insufficient scope of the impact assessments – including in terms of human rights – has been heavily criticised by, *inter alia*, the Chancellor of Justice, legal experts, NGOs and other representatives of the civil society as well as other stakeholders (including the HRC) both during the drafting processes and thereafter.
34. Another troubling aspect relating to law drafting has been the growing prevalence of exceptionally short time periods afforded to stakeholders to give their own views and assessments on the proposed bills. This issue is rendered even more serious when the subject matter in question is large-scale and complex, as has been the case with many of the bills concerning the austerity measures. At worst, the time period recently afforded for stakeholder consultation has been only five days¹³, whereas the official guidelines by the Ministry of Justice recommend this time period to be at least 6–8 weeks, depending on the scope of the bill. This recommended time period is currently under scrutiny¹⁴ as a governmental working group has begun the process of reconsidering whether current developments in IT and communications might justify the shortening of recommended time periods for stakeholder consultation. The HRC finds this notion ill-advised and emphasises that sufficient time period must be secured also for future stakeholder consultations.
35. The HRC finds the deficient assessments of human rights impact in the *travaux préparatoires* and the now alarmingly short times afforded to stakeholder consultation in the drafting process disconcerting. The HRC notes that proper and real stakeholder participation in the legislative drafting process is of paramount importance and ought not be jeopardised. The issue is of paramount importance not only in terms of the substantive quality of the

¹² <https://www.soste.fi/uutiset/soste-selvitti-hallituksen-leikkausten-vaikutukset-maakunnittain-lahes-17-000-uutta-alaikaista-tippuu-koyhyysrajan-alle/> (in Finnish).

¹³ <https://www.hs.fi/politiikka/art-2000009861994.html> (in Finnish)

¹⁴ A Ministry of Justice memorandum OM/ESI/LKL, 3 May 2024, Lainvalmistelun kuulemisoppaan uusiminen https://api.hankeikkuna.fi/asiakirjat/57fdea21-f54a-4016-ac77-4a44bfae972b/b42ef2f9-acc0-41b5-bd13-1ada70c4c5c5/PAATOS_20240516054255.pdf (in Finnish).

legislative acts passed by the Parliament, but also in terms of democracy and of upholding the integrity of the rule of law in Finland.

36. Regarding the question of accessibility of information, the HRC cannot but note that the Government report offers the reader little help in trying to comprehend the full significance of the adopted measures against the exigencies of the ongoing cost-of-living crisis. To try and gain a meaningful perspective on the recent governmental measures merely on the basis of the report would require quite an advanced level of background knowledge of not only the ongoing social-economic situation but also of the complexities of the Finnish social security system. In this regard it the Human Rights Centre must emphasise, more generally, that it is imperative that the information disseminated in official governmental reports is sufficiently accessible not only to experts but also to other relevant stakeholders and indeed the civil society. Importantly, such information should be accessible to the members of the Parliament who bear the actual responsibility of passing the bills into law.
37. Considering accessibility, the HRC must hasten to add that, to its credit, the Government report does make an effort to portray the complexities of the Finnish social security system in basic terms so as to make it more understandable, while also referring to at least some of its shortcomings. As noted, the report does also refer to some of the cuts planned as well as to some of the cuts already in place, such as the index freezes on social security. The Government report also refers to critical observations made by stakeholders on the shortcomings of the Government's actions and/or inactions pertaining to the cost-of-living crisis.
38. It seems evident from the report that the Government has taken note of at least some of the worries voiced by the civil society and other stakeholders on the cost-of-living crisis. The report provides the reader some insights into the overall social security situation in Finland – but it also reveals how the *modus operandi* of the current Finnish Government is quite ill-suited for finding meaningful and effective ways of tackling the ongoing cost-of-living crisis. It is important to draw attention to the fact that while the Government may have in the report paid some attention to some of the concerns and criticisms voiced by the various stakeholders, in practice the Government has essentially disregarded all such concerns and criticisms in the final versions of the bills that have subsequently been passed as laws in the Parliament.
39. Majority governments, like the one currently in power, have long been a staple in Finnish statecraft. Parliamentary majorities entail the possibility of expediting the passing of Government bills, should a need for political expediency arise. While the notion of parliamentary majority is, as such, firmly established in democratic and constitutional principles, the principle of rule of law dictates that the system must also contain sufficient checks and balances - for example in the legislative drafting process – so as to ward off possible misuses of power. This need becomes even greater when the ramifications of

governmental bills significantly affect the realisation of fundamental and human rights.

40. The measures enlisted by the Government in its report to alleviate the cost-of-living crisis and its pernicious effects on the functioning of the Finnish welfare state remain weak in the face of the prevailing socio-economic situation of the country. The Human Rights Centre reiterates its concern for the many downward trajectories that have now for years befallen in the field of socio-economic rights – rights that Finland has pledged to uphold not only under the European Social Charter but also under its own Constitution.

Jarna Petman
Director

Mikko Pursimo
Junior Expert