Families with Children in Recessionary Finland

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Abstract

The aim of this article is to describe the distribution of welfare in Finnish families with children in the 1990s. This distribution of welfare is examined in relation to the development of social services and income transfers. The main temporal context is the first half of the 1990s, that is, the worst years of recession. The findings offer a somewhat controversial picture of the actualization of welfare among families with children. In the economic analysis, it is indisputable that single-parent families were worse off than families with two providers. In examining welfare deficiencies, no such clear conclusion can be drawn. The well-being of both family types decreased during the recession, but this decline was strongest in single-parent families. Because of the huge increase in poverty risk, single-parent families can be seen as the victims of recession.

Keywords: Well-being, welfare, families with children, single parents, recession, Finland

Introduction

The well-being of the Finns was tested in the 1990s with the welfare state falling into crisis because of the recession. Legislative projects in the 1990s no longer pursued the expansion of social security programs, but instead cut the social security system in different ways. It has been said that only in Finland was the economic situation of the 1990s worse than the 1930s depression. Unemployment changed the dependency ratio, which for its part determines the need for social income transfers. Having been 1 in 1990, the dependency ratio rose to 1,5 in a few years of recession, indicating that for every two employed people, there were three outside working life (Heikkilä and Uusitalo 1997). The recession had two kinds of effects on the social security system. On the one hand, the need for income transfers and services increased, and on the other, the finance basis of the system deteriorated. It became
more difficult to collect enough revenue to be distributed, so cuts had to be made in the social security system.

The past recession left a legacy of high unemployment - a large number of Finns have been left permanently outside the labor market. Substantial cutbacks had to be made. The degree to which the cutbacks touched the various demographic groups is still unclear. The aim of this article is to describe the changes in the distribution of welfare in Finnish families with children. The development of the welfare of families is examined in relation to the development of social services and income transfers. The main temporal context is the first half of the 1990s, that is, the worst years of the recession.

The aim of the study and the data

Viewed from the cross-national, comparative angle, the economic situation of Finnish families with children is fairly good (Forssén 1998a). But is their overall welfare good in real terms? Does the picture of well-being change when the focus of examination is extended from the economic aspects to other domains of well-being? It can be assumed that together with increased unemployment, the changes implemented in family policy during the recession have reduced both the well-being of families with children and the relative differences in their well-being. This study examines the distribution of well-being among Finnish families with children. How has the 1990s recession impacted the economic status of different family types? How do families view their well-being subjectively? To answer these questions, I will use data from the Living Conditions Survey, designed within the Nordic approach to well-being research (see Johansson 1970; Allardt 1976; Erikson & Uusitalo 1987). A basic tenet of the Nordic welfare theory is that the living conditions of the population are identified as a broadly defined concept of resources. The living conditions of individuals are perceived as available resources or as instruments with which they can steer their individual life courses (Heikkilä 1990).

The data used in this study is from 1986 - 1994. These surveys, conducted at specific intervals, provide comprehensive and commensurate information of the state of the Finns’ well-being. The base group of interviewees in the Living Conditions Survey is comprised of the population over 15 years of age, excluding those who are either institutionalized or reside abroad. The survey focused on individuals, but also includes a wealth of information on households. In addition to interview data, data from registries has also been utilized. The 1994 survey sample was 12,093 persons. The response rate was 73 percent. The sample size of the 1986 survey was 13,876, and the response rate 87 percent.

The basic variable in this study is the family type classification. All the families in the 18 to 64 year age brackets were included, excluding all those households that did not have children under 18 years of age. In the 1986 data there were 4,383 two-parent families and 417 single-parent families. In the 1994 data, there were 2,436 two-parent families and 247 single-parent families.
The measurement of welfare

Research based for the most part on welfare theory often focuses on the relative deprivation of a population or a demographic subgroup. Besides financial resources, relative deprivation involves other living conditions that operate as resources for individual activity or life control. Relative deprivation, in other words, means limited social activity restricted by insufficient economic resources. A deprived person is not able to live in a way that is customary in the society that surrounds him/her (Townsend 1979).

Many studies have established that economic problems are the central contributor to welfare problems. Economic deprivation is clearly linked to other dimensions of welfare. Long lasting economic problems, for example, create problems in housing, lower the level of perceived satisfaction with life, and cause difficulties in social relations (Erikson et al. 1983; Heikkilä 1990; Ritakallio 1991). The connection between economic problems and other dimensions of welfare is also apparent in the various definitions of poverty. The most commonly used concept of poverty, relative deprivation, is seen as antithesis of citizenship, as exclusion from full citizenship (c.f. Marshall 1979). The concept of social citizenship involves individuals' and groups' rights and opportunities to partake fully in the functioning of society and in decision making.

Welfare can be measured either by factors describing consequences of the choices people have made (direct approach) or by the choices available to people (indirect approach). The different approaches to measuring well-being have their origins in different domains of social science and in different research traditions. Indirect measurement of welfare is frequently based on the concept involving economic resources, generally that of available income (Ringen 1995; 1997). From the point of view of welfare research, disposable income is the central income concept, because it shows the economic resources available for household consumption.

Recent discussion on welfare research has revolved around the concept of life policy. Traditional welfare research has been censured for failure to deal with all the dimensions of people’s lives and their experiential worlds. Allardt (1996) himself has noted that welfare theory has limited capacity to deal with all the dimensions of the welfare of the contemporary individual. Welfare research should be extended in the direction of life policy, Allardt suggests. What Allardt means by ‘life policy’ is essentially the following: Life policy includes all the measures that assist people in managing both the central pursuits of their lives and any difficulties they may encounter. In a manner of speaking, life policy is the policy of life styles and ways of coping with life (Allardt 1996.) The expansion of welfare state research in the direction of life management and life policy requires further development of extensive data that represents the total population and that is updated periodically. Unfortunately, the data used here does not meet those specifications, so in spite of the reservations presented above, this study will have to comply with the traditional welfare theory approach.
Changes in family policy from 1986 to 1994

In Finland in the 1990s sizeable cutbacks were made in income transfers to families with children and, of course, in most other areas of the social security system. Families with children encountered this tougher economic situation as increased service fees, reduced health, maternity and parental benefits, and as tighter eligibility requirements for housing support (Kosunen 1997). The most recent assessments of the effects of the recession on the structure of the Finnish welfare state indicate that on the whole, the Finnish welfare state has retained its Nordic standard (Heikkilä & Uusitalo 1997).

The proportion of family support of total social expenditure has remained fairly steady through the 1980s and 1990s, about 12 to 13 percent of the total. The proportion of social expenditure of the GDP went up steeply at the beginning of the 1990s, partly because of the lower GDP and partly because of the increased cost of unemployment. In monetary terms, social expenditure grew markedly, from FIM 140 billion (about 26 billion USD) in 1990 to 189 billion in 1994 (Statistical Yearbook of Finland 1996, p. 416). Family support constitutes the smallest share of social expenditure. In 1980, total expenditure for family support (income security for families with children, services, and tax deductions) was 2.2 percent of the GDP. Monetarily, family support more than doubled between the years 1986 and 1994. In 1992, the GDP share of family support was about 5 percent. The amount used for family support was FIM 11 billion in 1986 compared to 19 billion in 1990, and 27 billion in 1994. In 1991, for example, daycare, home-care allowances, and parental allowances comprised about one half of the total family support. In other words, about one half (13 billion) went to supporting the care of small children. All in all, about three-fourths of the total family support goes to children below school age (Official Statistics of Finland 1994:5).

Table 1 presents the central changes in different support schemes for families with children in the two periods from 1986 to 1990, and from 1991 to 1994. The economic well-being of families with children was affected most seriously by tax increases, reduced child deduction in state taxation (from the beginning of 1993), the cutting down of the parental allowance, and changes in the computation basis for housing allowances (Ministry of Social Affairs and Health 1994). Increases in municipal tax rates and service fees also pulled down the levels of available incomes. Higher municipal tax rates caused an average decrease of FIM 700 to 800 per year. Consumer prices rose an average of 6 percent in the years 1991–1993. The prices for health and medical care products and services rose 20 percent (Ministry of Social Affairs and Health 1994).

The cuts in family policy support in the 1990s were not targeted evenly at all families with children but instead affected families with small children most severely. The changes in housing support affected low-income families with children more than others. The disposable income of families with children decreased by 2 to 7 percent between 1991 and 1993 (Ministry of Social Affairs and Health 1994).

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<tr>
<td>Tax deductions</td>
<td>Deductions for children were increased. In 1986, the average tax deduction was FIM 2 260 for each child under 18 years of age, and in 1990, FIM 3 180.</td>
<td>In 1991 tax deduction was FIM 3260 for each child under 18 years of age. In 1993, the tax deduction was reduced, and finally completely discontinued in 1994.</td>
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<tr>
<td>Maternity allowance</td>
<td>The average parental allowance paid to the mother grew from FIM 125 per day in 1986 to FIM 185 per day in 1990. The length of the parental leave was extended at the same time from 258 days to 263 days.</td>
<td>In 1991, the average parental allowance paid to the mother was about FIM 200 per day. At the beginning of 1992, the computation rate was lowered by 5 percent, in September of 1992, it was lowered again by 5 percent, and at the beginning of 1993 by yet another 4 percent. By 1994, the average parental allowance paid to the mother had gone down to 178 per day. In 1994, the child supplement was discontinued. The length of the parental allowance in 1991 was 287 days, and from 1993 onwards, 281 days.</td>
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<td>Housing allowance</td>
<td>Average housing allowances for single parents went up from FIM 586 in 1986 to FIM 806 in 1990; and for two-parent families, from FIM 547 to FIM 778. The number of single-parent recipients of the housing allowance increased between 1986 and 1990 by about 6 000, and the number of such two-parent families decreased by about 8 000 families.</td>
<td>Between 1991 and 1994, the average housing allowance went up from FIM 939 to FIM 1 240 for single-parent families, and from FIM 868 to FIM 1 092 for two-parent families. The numbers of recipients fluctuated. The number of single-parent recipients was 45 164 in 1991, 50 623 in 1992, and 45 150 in 1993. During the same years, the number of two-parent family recipients of the housing allowance went up from 44 608 in 1991 to 55 199 in 1992, and again down to 46 979 in 1993.</td>
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<tr>
<td>Child allowance</td>
<td>Child allowances were increased annually. In 1986, the yearly benefit for the first child was FIM 2 172, and by 1990, FIM 3 516 per year. In addition, there was a so-called &quot;diaper allowance&quot; of FIM 107 per month.</td>
<td>In 1991, the child allowance for the first child was FIM 4 392 per year, with the diaper allowance still at 107 per month. In the years 1992 and 1993, there were no increases, but a hefty increase in 1994 brought the benefit for the first child to FIM 6 840 per year. The &quot;diaper allowance&quot; was discontinued. A single-parent supplement was FIM 200 per child per month</td>
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<tr>
<td>Home-care allowance</td>
<td>Home-care allowance went up annually. In 1986, the average was FIM 1 221 per month, per family, and in 1990, FIM 1 722.</td>
<td>In 1991, the average was FIM 2 451 per month, per family, and in 1994, FIM 2 655.</td>
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From the point of view of families with children, increases in daycare fees were the most hurtful user fee increases (Forssén 1998b). The cuts in family policy support had the most detrimental effect on the livelihood of families with children below school age (Kosunen 1997).

These cutbacks in family policy benefits certainly have affected the well-being of families with children. Increasing unemployment is a real economic risk especially to single-parent families. On the other hand, unemployment might have a positive effect by increasing the spare time and the time available for spending with children. This is because work has a contradictory effect on single-parent families. The single parent must fulfill the role of both earner/breadwinner and mother – i.e. both market and non-market work. Because of only one earner in the family, single parents’ economic well-being can be expected to be worse than that of two-parent families.

Differences in the well-being of families with children 1986 - 1994

In this section, I will look more closely at the changes that have taken place in the well-being of Finnish families with children between 1986 and 1994. The first subsection surveys the changes in the economic situation of families with children. In the second subsection, the investigation will be expanded from economic factors to other areas of well-being.

The investigation of non-material factors involves the fields of social activity and social relations. According to Townsend (1979), people’s societal needs and poverty should be investigated from objective, normative and subjective points of view. Objective deprivation, according to Townsend, corresponds to a scientifically determined poverty measure. Normative (social) deprivation is measured against the situation prevailing in a society or by the majority of the population. Subjective deprivation is estimated by individuals or groups themselves (Townsend 1979). In this study, the effects of the 1990s recession on the lives of families with children will be investigated in terms of objective and subjective deprivation.

Economic differences between families with children

Income differences are often examined by dividing the population into ten equally large groups, so-called deciles, on the basis of disposable income per consumption unit. The two lowest deciles can be called low-income groups. The changes in these groups parallel the general economic trends in society. Single parents’ low income poverty declined between 1986 and 1990 and rose again between 1990 and 1994, but for two-parent families the changes were not equally strong. Between 1986 and 1994, the proportion of families with children rose in the two lowest deciles. Belonging to a low-income group is clearly more common among single parents than among two-parent families: in 1986, over one-fourth and by 1994, over
one-third of them were in the low income groups. Small incomes are most common in families with children below school age and among single parents. 55 percent of single parents are in the low income groups. Figure 1 shows that there was no change in the six highest deciles of single parents during the time span investigated. The fourth decile shrunk, and the three lowest decile groups expanded.

Low incomes have become more common also in two-parent families during the time period investigated. The change is evident in all the decile groups, so that from the fifth decile upwards, the proportions of two-parent families have decreased somewhat, and increased from the fourth decile downwards. About one-fifth of the two-parent families were in the low income groups, a clearly smaller proportion than that of single parents.

Figure 1. Different types of families with children in decile groups according to disposable income. Years 1986, 1990, and 1994

1990 data from the Household Survey Income Distribution data
2A+C = two-parent family with children under 18
1A+C = single-parent family with children under 18

Whether measured by relative income or social assistance recipiency, single-parent families are clearly at greater risk of poverty than other types of families with children. Assessed by the relative income measure, single parents' poverty risk in 1986 was twice that of two-parent families. By the end of the 1980s, the poverty rate of single parents had decreased, and in 1990 was even lower than that of two-parent families. The poverty rate of two-parent households continued to go down slowly throughout the period under investigation, but that of single parents rose markedly at the beginning of this decade. As Figure 2 shows, by 1994,
the poverty rate of single parents had returned back to the 1986 level of over 7 percent. It was concentrated among single parents with children below school age. In 1994, the poverty rate of this group was 15.1 as compared to the poverty rate of only 1.1 for single parents with over 6-year-old children. Single parents of small children are thus among the most obvious victims of the recession.

Figure 2. Poverty rates of single-parent and two-parent families with children. Years 1986, 1990, and 1994

1990 data from the Household Survey Income Distribution data

The development of poverty looks considerably worse when measured by social assistance recipiency. Between 1986 and 1994, the proportion of single parents receiving social assistance grew by over 10 percent, rising steadily throughout this time period. For two-parent families, social assistance recipiency increased at a much lower rate. As assessed by other poverty measures, poverty risk measured by social assistance recipiency was highest in single-parent families with below school-age children. Unemployment and the single parent being female added to the risk.
Figure 3. Social assistance recipiency of single-parent and two-parent families with children. Years 1986, 1990, and 1994

A comparison of low-income poverty and social assistance poverty illustrates how the incidence of poverty and poverty trends appear different depending on what measures are applied (see Kangas et al. 1998). Looking at the poverty rates of 1986 and 1994, it can be said that relative income poverty of all families decreased at least to some extent. By the social assistance measure, poverty rates clearly rose. The reason for the difference is that the relative income method reflects relational changes, so that when everyone is doing worse, the relative income method does not react to the changes. The numbers of social assistance recipients have clearly grown in the 1990s, despite the fact that municipalities have tightened up social assistance practices (Mäntysaari 1993). This indicates that the social assistance poverty measure is perhaps more practicable in recessionary times, because it also recognizes the changes in obligatory expenses.

Differences in the standard of living between families with children

Well-being is many other things besides economic circumstances. Along the lines of the Nordic tradition of standard of living research, I will discuss in the following other than strictly economic shortcomings in people's standard of living and quality of life. Of the standard
of living factors, I have chosen deficiencies in health (poor or very poor health, subjectively assessed), unemployment (repeatedly unemployed in the past 5 years), lack of close friends (no-one to confide in) and dissatisfaction with own life (dissatisfied or very dissatisfied). Table 2 shows whether differences in the deficiencies in the standard of living parallel the differences in household economies.

Table 2. Deficiencies in the living conditions of different family types, 1986 and 1994 (%)

<table>
<thead>
<tr>
<th></th>
<th>Sickness</th>
<th>Unemployment</th>
<th>No close friends</th>
<th>Dissatisfied with life</th>
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<tbody>
<tr>
<td>1986</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Two-parent family</td>
<td>2.7</td>
<td>6.6</td>
<td>19.0</td>
<td>3.9</td>
</tr>
<tr>
<td>Single parent family</td>
<td>4.5 *</td>
<td>10.0</td>
<td>13.9 *</td>
<td>9.0 ***</td>
</tr>
<tr>
<td>1994</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Two-parent family</td>
<td>3.1</td>
<td>41.6</td>
<td>10.5</td>
<td>6.4</td>
</tr>
<tr>
<td>Single parent family</td>
<td>3.0</td>
<td>37.7</td>
<td>6.1 *</td>
<td>10.5 *</td>
</tr>
</tbody>
</table>

Asterisks indicate the statistical significance of the differences. *p < 0.05; **p < 0.01; ***p < 0.001.

As can be seen from Table 2, the differences in living conditions deficiencies between family types were not as great as differences in economic circumstances, nor parallel to them. In 1986, single-parent families had more health problems and were more often dissatisfied with life than two-parent families. On the other hand, of the two-parent families, about 20 percent reported a lack of a trusted friend.

It's also interesting to see the development of living conditions that has taken place in both family types. Unemployment rose dramatically in both family types. Also the feeling of dissatisfaction with life increased, but not in equal measure with unemployment. Social relationships improved during the time period studied. All in all it seems that even if there are statistically significant differences in the living conditions of different family types, changes in the deficiencies during the time studied have been similar in both family types.

There are inconsistencies in how welfare has been realized for families with children. Looking at the situation from the economic point of view, it is unequivocally clear that single parents are worse off than couples. But in analyzing the quality of life, single parents are found more often than dyadic parents to be dissatisfied with their lives, whereas two-parent families more often have problems with social relationships.

Families with children in the recessionary Finland of the 1990s

There are large differences between the industrialized Western countries in how children's welfare has been secured. In the Nordic countries, children's status is fairly high. The Nordic social security system on the whole covers a larger proportion of expenditure for children
than is the case in many other countries. The family policies of the Nordic countries are based on individual benefits, whereas elsewhere in Europe the supports are being allotted on a family basis (Hantrais et al. 1996). The Nordic countries can be viewed as pioneers in this development. Social rights based on citizenship are equal to all and are put into practice better than social rights tied in with the family.

Although the Nordic family policy system is more comprehensive that the systems in other welfare state regimes, the disadvantaged groups can still be identified. One clear disadvantaged group is single parent families. Most of the risks involved with single parenthood that have been examined in this article involve problems with finances. Although single parents’ living conditions are similar in many respects to those of other family types, their economic situation is by objective measures worse than those of other families with children.

The well-being of families with children declined during the 1990s recession. The progressive development of family policies in the 1980s is apparent in the 1990s, in the sense that the situation of single-parent families has improved, particularly in relation to two-parent families. In the 1990s, the trend for single parents has been the opposite. Family policy did not survive the recession without cutbacks, any more than the social security system overall did, and the consequences of these cutbacks can be seen in the economic circumstances of families with children, and especially in single-parent families. Problems having to do with the quality of life have also increased in the 1990s. Families have not only experienced economic hardship but also impoverishment of the quality of their lives.

The aim of current family policies is to secure the welfare of different types of families at different stages of life. But just like social policy benefits in general, family policy benefits have had to be reduced in the 1990s. Single parents as a group provide a good example of what kind of consequences have ensued from the changes in family policy. By 1990, single parents had come down to the level of two-parent families in relative income poverty. Reductions in income transfers and public services implemented in the 1990s took the poverty rates of single parents up again. The analysis of social assistance recipiency above showed that single parents are more often dependent on last-resource support than families with two providers.

A comprehensive and multi-purpose family policy system produces not only desired results but also negative side effects, mostly among single parents. Improvements in the economic circumstances of single parents that continued through the 1980s took a clear downturn at the beginning of this decade. Although the reductions in the different domains were made fairly equitably among the different population groups, it was the single parents who suffered the most. Because of the family structure alone, single-parent families are the most vulnerable group: the economic situation of one-wage families is automatically weaker than that of two-wage families. The care responsibility and the laws enacted to support the care of children serve to transform this group easily into an unwanted one in the labor market. Improving the labor market situation of single parents should for these reasons be accorded more attention in planning new family policy reforms.
The increased risk of single parents to end up in unstable labor market situations has been noted in the liberal regime countries. Short-term and irregular employment has created a need for flexible daycare. This for its part assumes that children are flexible as well. However, feelings of security and continuity are among the basic needs of children, and these cannot be met if parents work irregular hours and there are frequent changes in care arrangements. (Evason et al. 1998). This same development of an unstable labor market situation could have taken place in Finland too. The ambitious goals of Finnish family policy may bring about a negative side effect on the labor market situation of single parents, making it much more unstable, as is already the case in many other countries. Preventing this development calls for family policy measures that secure the situation of single parents.

References


