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Reform of Social and Health Care in Finland — What challenges and opportunities?

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for the EPSU LRG Committee, September 20, 2016

Current situation: healthcare and social welfare services in mainland Finland

Healthcare services

- **Municipalities** (local authorities, 297 in mainland Finland) are responsible for organising health care services which they can
 - provide themselves
 - provide in cooperation with other municipalities (joint authorities) or
 - purchase them from private companies etc.
 - **Hospital districts** (20 in total) are responsible for specialised medical care
- Altogether healthcare services are being organised by over 200 municipalities or joint authorities

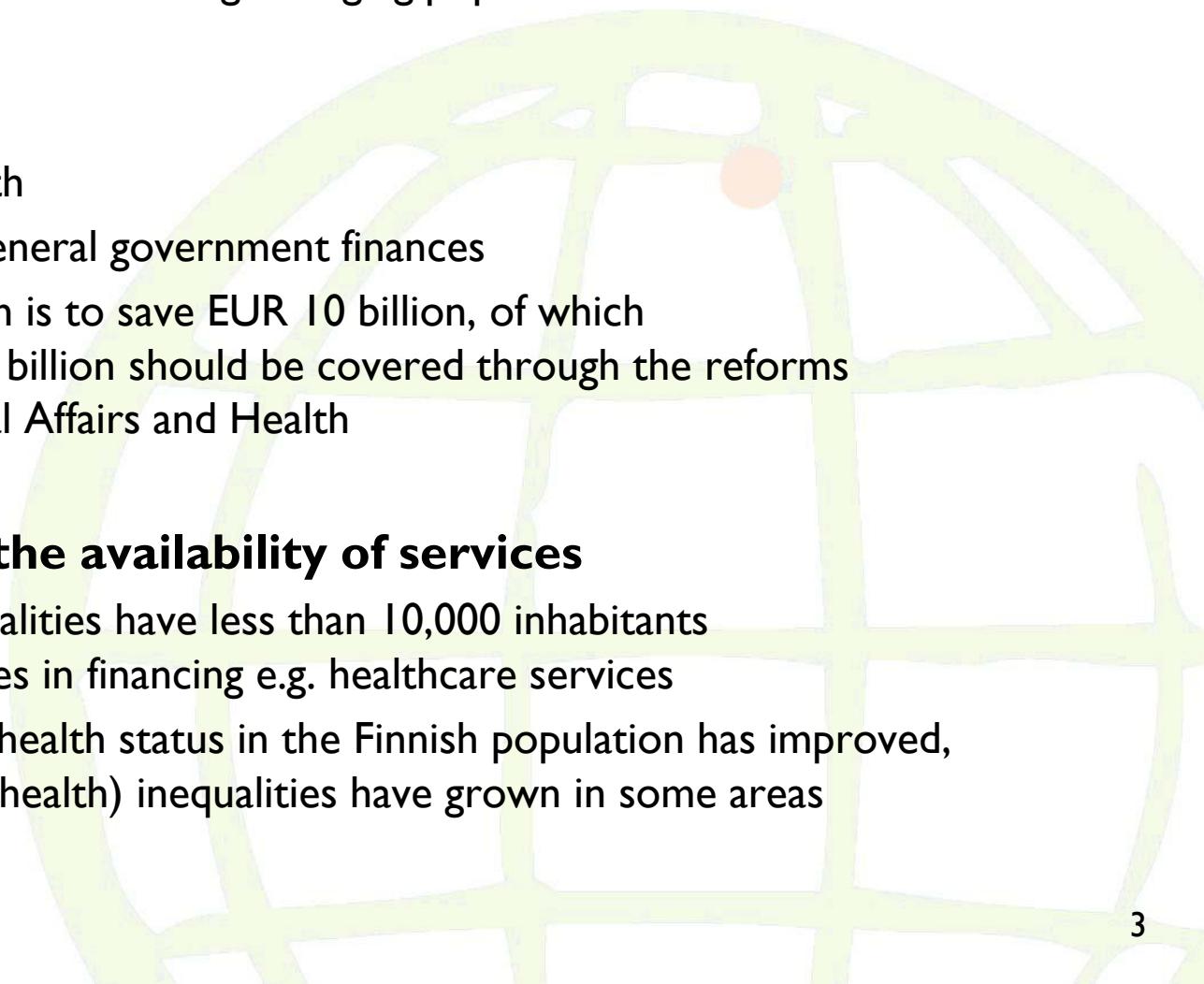


Social welfare services

- Municipalities (local authorities) are responsible for organising social welfare services
- Municipalities are members in joint municipal authorities of **special welfare districts** (15+1) that organise services for people with developmental disabilities

Why is the reform needed?

- **Demographic change:**
 - a growing need for services among the aging population
- **Economic situation:**
 - slow economic growth
 - sustainability gap in general government finances
 - the Government's aim is to save EUR 10 billion, of which approximately EUR 3 billion should be covered through the reforms in the branch of Social Affairs and Health
- **Local differences in the availability of services**
 - almost 2/3 of municipalities have less than 10,000 inhabitants
 - > many have difficulties in financing e.g. healthcare services
 - although the average health status in the Finnish population has improved, socio-economic (and health) inequalities have grown in some areas



New solution for organising the services

- **18 autonomous regions (Counties)** will be established
 - with responsibility for healthcare and social welfare services
 - also some other duties will be under their mandate
 - possibly a different solution for Helsinki Metropolitan Area
- **5 Collaborative Areas** based on the existing catchment areas
- Specialised operations and emergency duties will be centralised
- **Ministries will have a strong steering role**

Freedom of Choice for customers – a promised land?

The Finnish Freedom of Choice model:

- The Government wants people's different service needs as the point of departure.
- The existing multisource financing of health and social services will be simplified and customers will be given more freedom of choice at the basic service level.
- Customers can choose between public, private or third sector service providers.
- The model will narrow down differences in health and wellbeing, will make access to services more equitable and bolster basic services.
- The various conditions in different parts of the country will be taken into account.
- Four different Freedom of Choice means are under consideration:
 - health and social service centres providing a broad range of basic-level services;
 - own teams or health and social service stations with a narrower range of services;
 - service vouchers;
 - personal budgeting.
- No changes to occupational health services, but more emphasis on prevention.

County
- Organises health and social services

Services which are
not under competition

Public health and
social care authority

Services under competition
(freedom of choice):
Basic health and social care
services

Private
company
A

Public
company
(owned by
public
authority)

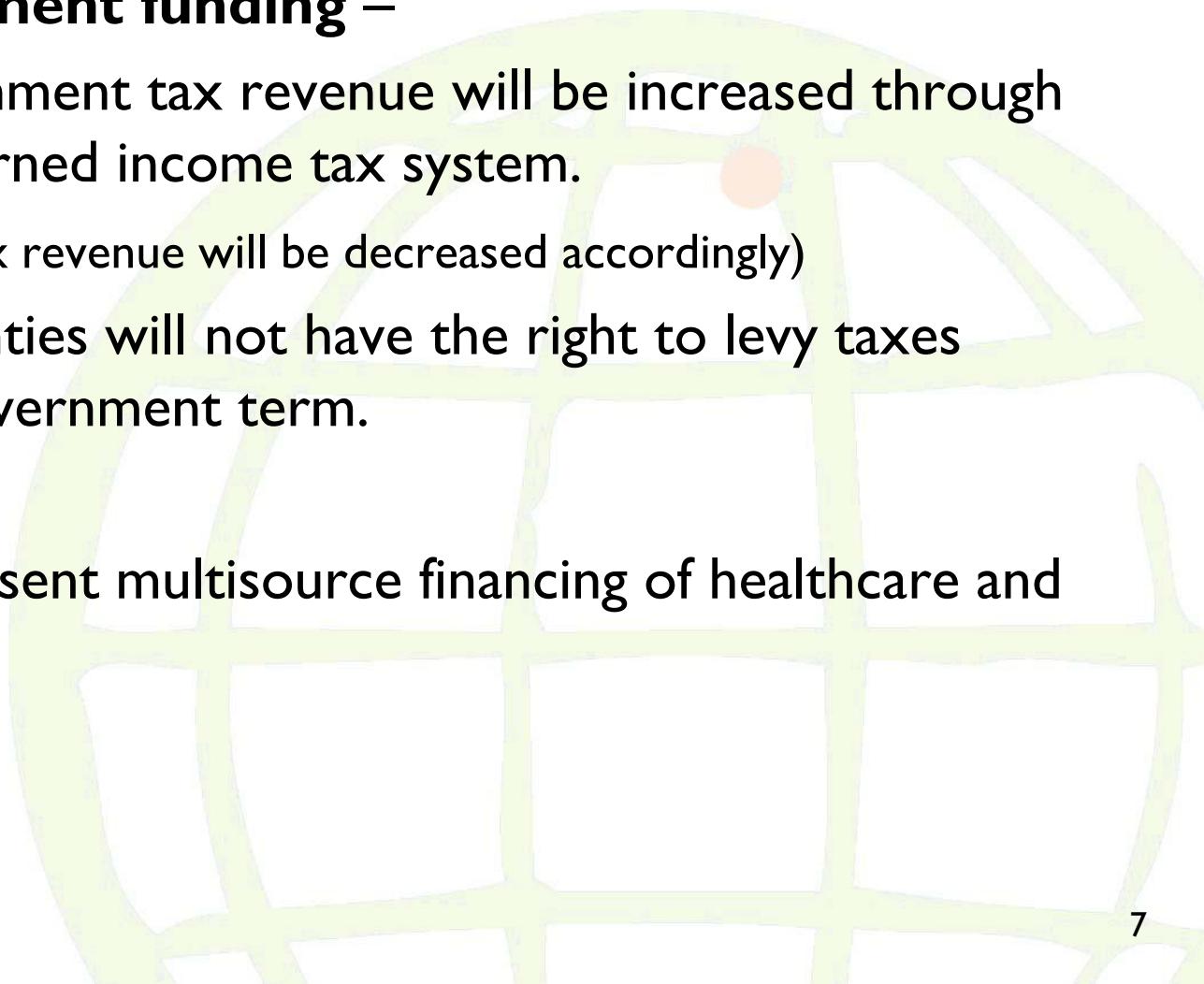
Private
company
C

Private
company
B

Financing

I. Central government funding –

- Central government tax revenue will be increased through the current earned income tax system.
(and municipal tax revenue will be decreased accordingly)
 - The new Counties will not have the right to levy taxes during this Government term.
2. Simplifying the present multisource financing of healthcare and social welfare



Steering of the counties' resource allocation

General Government Fiscal Plan

- Set objectives for the counties' economy
- Assessment of the counties' tasks and funding

State Budget

Negotiations between the State and the Counties (Act on Counties 13 §)

Steering the investments

Sectoral specialized legislation

- Act on organising social and health care services
- Act on Client Fees

Steering the operations and performance

State funding

- Computational
- County's autonomy in using the funding

State loans and security as well as possibly state aids in special situations

COUNTY

COUNTY GROUP

Counties' joint service utilities

Provisions on economy in the Act on Counties (Section 13)

- Balance of financial flows on operations and investments
- County's limited powers to take a loan
- The criteria for the review process are set on the county group

Timetable

- **Now: proposed legislation is circulating for comments (until November)**
 - Five separate Acts:
 - the Counties Act,
 - the Act on Organising Health and Social Services,
 - the Implementation Act,
 - the Act on Financing the Counties and
 - the Act on Central Government Transfers to Local Government for Basic Public Services.
 - **Still missing Act on Freedom of Choice in healthcare and social services!**
 - Draft for comment in November 2016; to Parliament in spring 2017.
- End 2016: draft legislation to be presented to the Parliament.
- July 2017: the new legislation into force.
- January 2018: elections to be held in the new Counties.
- January 2019: responsibility for the organisation of healthcare and social services (and personnel) will be transferred from municipal authorities to the counties.

Assessment of Effects

By the National Institute for Health and Welfare:

”+”

- The Reform will **reduce the number of service organisers** significantly, expand their size and strengthen their economic capacity.
- The larger size of the service organisers is expected to **reduce regional and local differences** in the availability of services.
- The integration of service organisation and service production may **slow down the increase of expenditure** on social and health care, and
- provide tools for structural reforms such as **centralisation of highly specialised medical care** and rationalisation of the service network.

Assessment of Effects (cont.)

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- A number of Counties that have been given responsibility for organising services, have **poor organisational competence and weak resources**.
- The county-specific **steering system will take time to evolve**, and its multi-layered structure will complicate matters:
organiser – service institution – service provider
- The **realisation of the client-oriented integration** of social & health services is uncertain.
- Unclear how the five Collaborative Areas will implement their **numerous coordination tasks** and contractual obligations in practice.
- Unclear what is the **division of responsibilities** between different actors:
 - who is the public authority?
 - who can exercise significant public power?
- **Importance of economic steering**, as the needs of the Counties will vary
 - how to ensure fairness in the allocation of finances?



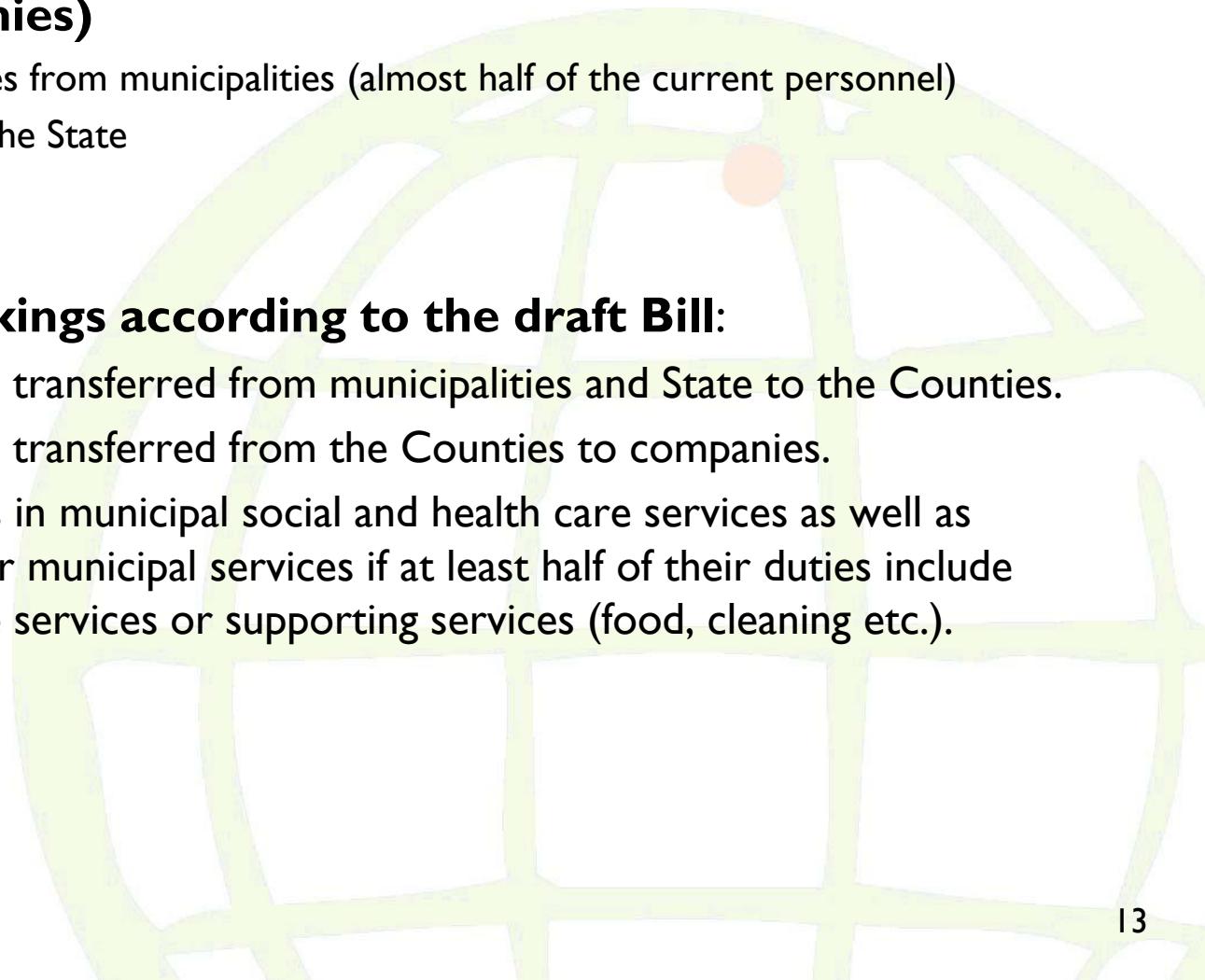
Involvement of Social Partners

- **Involvement of Social Partners**

- So far, the involvement of Social Partners on central level has been fairly weak.
- Preparations have been mostly carried out by the Government.
- However, where involved,
 - the role of social partners has been respected in the spirit of tripartite cooperation
- Employees have got places to influence — but not without active lobbying and some pressure...
 - unions (main negotiation organisations) involved in a working group on
 - salaries: preparation of the harmonisation of salaries
 - central organisations (or appointed representatives) involved in working group on
 - the status of employees
 - transfer of undertakings; pensions; public authority duties
 - preparation for legislation and/or collective agreements
 - rules and guidelines for the future labour market system and structure
- On the local level the situation varies, as in many regions there are already ongoing preparations for the reform.
- In order to have employees committed to the reform, they must have possibilities to be involved in the change during the whole process.

What will happen to employees?

- **Over 220,000 employees will work for the Counties (or for their companies)**
 - Over 200,000 employees from municipalities (almost half of the current personnel)
 - 5,000 employees from the State
- **Transfer of undertakings according to the draft Bill:**
 - When employees are transferred from municipalities and State to the Counties.
 - When employees are transferred from the Counties to companies.
 - Applies to employees in municipal social and health care services as well as to employees in other municipal services if at least half of their duties include social and health care services or supporting services (food, cleaning etc.).



What will happen to the employees?

- **Trade Union concerns:**
 - Terms of employment offered by the private service providers.
 - What will happen in the long run for those transferred to the private companies or to companies owned by the Counties?
 - Growing uncertainty and worsening of the terms of employment.
 - Up to 150,000 municipal employees will work in companies under competition
 - Uncertainty about collective agreements to be applied in the new Counties and in the companies, as
 - the present General Collective Agreement for Local Government cannot be applied as such, and
 - a change in the application of Collective Agreements is inevitable (which? how?), and
 - the solution depends on the forthcoming negotiations.
- **Changes in the negotiation system**
 - Municipal employers' organisation KT will negotiate also on behalf of the counties (but not necessarily on behalf of companies)
 - Will a new collective agreement system be negotiated?

What will happen to the employees?

- **Trade Union concerns:**

- Competition about working conditions, collective agreements, workplaces...
- Harmonisation of salaries of over 200 000 employees is a demanding task.
 > those working for the same employer doing the same work must get the same salary
- Pension benefits of the employees must not be weakened.
- Risk of breaking the care chain provided by social and welfare professionals.
- Risk of breaking the service chain provided by the supporting services.
- Supporting services are usually open for public procurement
 > risk of cuts in salaries and benefits; redundancies

References

Health, Social Services and Regional Goverment Reform:

- <http://alueuudistus.fi/en/frontpage>

National Institute for Health and Welfare:

- <https://www.thl.fi/en/web/social-welfare-and-health-care-reform>