



**FINLAND NATIONAL REPORT 2005 FOR THE  
EUROPEAN OBSERVATORY ON HOMELESSNESS:  
POLICY UPDATE**

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**September 2005**



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## 1. Governance and Institutional Policies

In the last year there have not been any governmental reforms. As has already been mentioned in previous updates, the present Government, which began its work after elections in March 2003, set about the housing policy part of the Government programme as its main task: "The aim of the housing policy is to ensure a socially and regionally balanced and stable market, to eliminate homelessness and to improve the quality of housing." According to the Government programme, "the action plan to reduce homelessness in co-operation between central government and cities of Helsinki, Espoo and Vantaa will be implemented between 2002 and 2005" (The Government Programme of Prime Minister Matti Vanhanen's Government on 24 June 2003). This action plan has been carried out under the leadership of the Ministry of Environment, which has responsibility for housing matters in Finland. In turn, the cities of the capital region have their own programme for diminishing homelessness. This programme, including connected research and an action plan, is financed by the cities and by both the Ministry of the Environment and the Ministry of Social Affairs and Health. The action plans will be described in more detail in Chapter 3.

### *The withdrawal of the Slot Machine Association and competitive tendering*

Competitive tendering, a process that has extended throughout all countries in the European Union, is greatly affecting the provision of services for homeless people and other vulnerable groups in Finland. The municipalities have the responsibility to provide social welfare and health services for their citizens, including the most vulnerable groups, too. The rights of the citizens are written in the Constitution and the municipalities' obligations are written in other laws. In order to be able to fulfil these obligations, municipalities have needed and still need co-operation with NGOs: In addition to providing services themselves, municipalities purchase services from the organisations, which, in turn, receive most of their incomes from the municipalities. However, for more than half a century voluntary organisations have received a considerable share of their finances as grants from Finland's Slot Machine Association. The Slot Machine Association has a legal monopoly on operating slot machines and casino games in Finland. Each year funds have been distributed from the income of the association to support voluntary health and social welfare organisations. The distribution of the assistance is supervised by the Ministry of Social Affairs and Health.

A considerable share of the assistance of the Slot Machine Association has been targeted to voluntary organisations that provide services for vulnerable groups e.g. homeless people. At the same time, the grants have, together with incomes from the municipalities, been "a condition of existence" for the voluntary organisations.

New legislation from 2001 caused a significant change. According to the Act on Discretionary Government Transfers (688/2001, in Section 7) "Granting a transfer is judged to cause only minor distortion to competition and the market in a state belonging to the European Economic Area". The interpretation of this paragraph has been discussed at length. The legislation of the Slot Machine Association was changed, too, and the Slot Machine Association, partly under pressure from the organisations of entrepreneurs, have interpreted the legislation in a strict way: Funds from the Slot Machine Association are granted to voluntary organisations only if there are no other service providers in the particular field of service provision and in the local region which might compete with the voluntary organisation. In particular, the association has withdrawn from financing the building of housing units and dwellings, also for vulnerable groups. The subsequent financial shortfall, compared to previous years, is large, amounting to hundreds of millions of euro. The decision to withdraw funding affects service provision as well. The assistance of the association will in the future be targeted more to activities in which citizens themselves are involved as voluntary workers and peer workers. The association is still going to continue to finance some new experimental activities and the development of new kind of services (Raivio 2005).

Even before Finland joined the European Union in 1995, a Public Procurement Act (1505/1992) was passed in 1992. The Act has been amended later to cope with the requirements of the Union.

According to these amendments, social services which are not provided by the municipality itself also have to be open to competitive tendering. Municipalities have had to invite tenders even for rather small service provisions.

During the last year, competitive tendering has been fully implemented in services for substance abusers and homeless people. The municipal authorities consider it a positive that there must be a proper analysis of the need for different kinds of services. However, the results have not always been positive as seen from the point of the quality of the services for the most vulnerable groups. A number of new actors and new service providers have come to the field and taken part in the tendering. The qualifications of the service providers and the services content have to be defined in advance in order to avoid unqualified service providers being involved. This however, has not always been possible and there are a number of cases in different parts of the country where the lowest bid (in some cases the only offer) has been submitted by a new service provider who does not have the required qualification of providing good quality services for the particular vulnerable group (e.g. substance abusers, psychiatric patients etc.). If the offer, however, is not accepted, the service provider may apply to the court. The older qualified NGOs with their extensive knowledge of services cannot compete with the competitive pricing of these kinds of service providers.

Interpreting the regulations of competitive tendering is said to be stricter in Finland than in many other European countries. What kinds of effect the new legislation of competitive tendering will have on the quality on the services for vulnerable people will become more apparent in time. The withdrawal of the Slot Machine Association makes the financing of services, especially investment in the buildings, more difficult. Thus the effect of all these changes in services for vulnerable groups, for example, homeless people, can be very serious. At the same time, the municipalities themselves, the buyers of the services, are confronted with economic difficulties due to diminishing grants from the state budget.

Thus, as the researcher Myllykoski points out, "the implementation of public-sector welfare services and competition required by the market economy are conflicting interests especially as regards to rights of children, mental health patients, substance abusers as well as elderly and disabled people (Myllykoski 2003). There is a great danger that the quality of many services for these people will decrease in the future.

#### *A new subsidy for building dwellings for special groups*

As detailed in the previous policy update, a new grant was to be launched. A new Act on subsidies for improving the housing conditions of vulnerable groups (Laki avustuksista erityisryhmien asunto-olojen parantamiseksi 1281/2004) came into force on 1<sup>st</sup> January 2005. According to this Act, subsidies from the state budget can be granted for constructing, purchasing, and renovating dwellings for special groups. The Housing Fund of Finland will grant the subsidies. The subsidy can be granted both to local municipal housing providers, non-profit housing associations, as well as NGOs serving as subcontractors to the local social authorities. The aim of these subsidies is to increase the supply of housing, the costs of which are reasonable and suitable for persons and families belonging to the so-called special groups, i.e. vulnerable groups.

The subsidy is aimed at homeless people, refugees, students, persons in receipt of mental health and intoxicants services, young people who need special support, disabled people and elderly people with weak mental or physical health. The new subsidies will be additional finances aimed at lowering the housing costs. In many cases the investment costs for these—usually small—dwellings, with perhaps additional assistive devices, are higher than the costs in the production of social housing in general. The percentage of the investment costs covered by the subsidy varies: from between 5, 20 and 35 per cent of the costs depending on the special group and the cost of specialised solutions. The main share of the finances for these houses and dwellings come from the state loans or loans with a state interest subsidy.

Municipalities and non-profit housing associations will be next in line to be granted the new subsidy. Earlier it has not been possible for the municipalities to obtain direct grants from the state budget for constructing homes for special groups. This new subsidy also fills the gap left after the withdrawal of the Slot Machine Association (see above). The Ministry of the Environment which proposed the new legislation writes in its statement to parliament that this new system of grants is one measure enabling municipalities to carry out its responsibility for guaranteeing the civil rights of citizens, as written in the Constitution. However, the organisations of entrepreneurs made it clear in their statement that they see these subsidies as being against the principles of free competition.

The appropriation for this purpose in the state budget for 2005 was EUR 34 million. The sum of the applications delivered to Housing Fund of Finland has exceeded this sum.

## **2. Access to Housing**

The housing market situation has been favourable for houseless people. The rental housing stock has increased lately and dwellings in social housing have been more available than at the beginning of decade. The unusually low interest level is the main factor behind these trends. The low interest level has encouraged many households to move from rental housing to owner occupied dwellings. This at the same time obviously shifts money from other investments to rental housing; this is certainly one reason why the rental housing stock is increasing. Nevertheless, a shortage of small dwellings prevails particularly in the capital region.

The extent of homelessness has been decreasing during the last year. According to the latest Housing Market Survey conducted by the National Housing Fund, as of November 2004 the number of single homeless people was nearly 7700. The number of homeless families was 360.

The construction of social housing continues to be at a low level; developers are not willing to build with state-subsidised loans which at the same time carries regulated requirements for quality and building costs of the housing estates. The launching of the new subsidy for vulnerable groups will hopefully encourage the supply of dwellings for these groups.

However, the lack of support services for vulnerable homeless people takes the development in the opposite direction. The actors in the field provide information that there are empty dwellings earmarked for use as supported dwellings, but there is simply not enough resources to provide that support. Homeless clients who need a lot of support would not manage independently in these dwellings.

## **3. Preventing homelessness**

### *The programme to diminish homelessness*

The implementation of the Government programme for diminishing homelessness has been continued (see Policy Updates for 2003 and 2004). The extent of homelessness has decreased during the period of the programme, 2002–2005. In November 2001 the number of single homeless people was estimated to be 10 000 persons and that of homeless families about 800. In November 2004 the numbers had decreased to about 7700 single persons and 360 families (Tiitinen & Pelvis 2005).

The Ministry of the Environment have estimated that since the launching of the programme, 2950 more dwellings for homeless people have been either built or purchased or plans for building them are ready (in August 2005). In the programme for diminishing homelessness the target was to build or purchase 4000 new dwellings for homeless people in the capital region, thus about 1000 dwellings are still needed for the programme.

Strategies to diminish homelessness have also been made by several smaller cities and towns, where single homeless people number from 100 to 500 persons. However, measures have concentrated especially on the capital region where more than half of the homeless people live (4200 single persons and 230 families in November 2004). Already in 2003 the partners of the programme, the Ministry of the Environment, the Ministry of Social Affairs and Health and the cities of Helsinki, Espoo and Vantaa agreed on measures to diminish homelessness. A research analysis of the homelessness situation was made in autumn 2004 (Pitkänen & Kaakinen 2004). As part of the analysis, the researchers presented a number of measures on how to continue the programme. On the basis of these proposals, the cities produced and published their own plan for measures to diminish homelessness in this region (Asunnottomien asumispalveluiden kehittäminen pääkaupunkiseudulla, 2005).

This plan has been accepted on a high level, in a meeting held in February 2005. The partners were the Minister of Housing, the Minister of Social Affairs and Health, the Minister of Health and Social Services, and the city mayors within the capital region. The main items agreed upon were:

1. The national programme for diminishing homelessness will be finished by the end of 2005. After that the programme will be evaluated.
2. The cities of the capital region will monitor their work for diminishing homelessness on the basis of the plan accepted at the meeting (Asunnottomien asumispalveluiden kehittäminen pääkaupunkiseudulla, 2005). The plan will cover the period from 2005–2007.

For this programme the service providers of the region will establish a network for which funds have been granted by the Ministry of Social Affairs and Health. The special task of this network is to develop housing services and housing support for those homeless people for whom it is difficult to find suitable housing due to their multiple problems. The purpose of the network would be to develop working strategies which would help these people find a long-term escape from homelessness.

3. The cities, the Housing Fund of Finland and the Slot Machine Association work together in order to guarantee the needed finances for the measures to be developed by the network. Also a study will be made by the end of 2005, on how daily services for these most vulnerable persons can be financed.
4. Also the Slot Machine Association will be involved in the financing of these measures, within the restriction set by the competitive tendering (see above).
5. A recommendation for the quality of hostels and night shelters would be necessary. The cities together with STAKES will study if this kind of a recommendation can be drawn up.
6. The Ministry of the Environment continues to coordinate the work for diminishing homelessness at a national level, especially by promoting the supply of small dwellings and by monitoring whether subsidies for vulnerable groups (see above) are granted for the building and purchasing of dwellings for homeless people.
7. The programme partners will convene to evaluate the programme and to make further proposals when necessary. Furthermore, the partners will study how the regulations of competitive tendering can be applied to the provision of social services, especially from the point of view that the regulation should not become a hindrance to providing services to the most vulnerable people (Fredriksson 2005, Pääkaupunkiseudun asunnottomuuden vähentämisen toimenpideohjelman seurantakokouksen pöytäkirja 22.2.2005. Ympäristöministeriön vastine eduskunnan ympäristövaliokunnalle koskien hallituksenesitystä HE 170/2004, 12.11.2004).

### *The state budget for 2006*

The government made its proposition for the 2006 state budget in August 2005. It will be proposed to the parliament that a so-called "poverty package" be accepted. As part of this package the government proposes a revision to regulations that guide the granting of living allowance. Before receiving living allowance for housing costs, the household have had to pay their own share (omavastuuosuus), which has been 7 per cent of the housing costs. For many low income households this share has been too high; many households have had to move to minor dwellings or they have been evicted. Research just published by the National Research Institute for Legal Policy (Salovaara-Karstu & Muttilainen 2005) shows that meeting the costs of this share has been the reason for many eviction processes. This proposition, if accepted by the parliament, will help at least 70 000 households that are continuously dependant on living allowance.

## **4. Policies targeting the most vulnerable**

Policies targeted at the most vulnerable groups were dealt with above when the programme for diminishing homelessness was described. The deficiencies in these policies are most urgent; the most vulnerable homeless people, for example, homeless people with both mental health and substance abuse problems, have not received attention in the national plans drawn up for the government by the Ministry of Social Affairs and Health (Kärkkäinen 2005). Thus the decision made in February 2005 is important as a further step in this direction.

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