

# Conclusions and recommendations of the National Audit Office

Transferring basic social assistance to the Social Insurance Institution of Finland: The significance of assessing the effects of implementation in the law-drafting process

Under an amendment to the Social Assistance Act (1412/1997) that entered into force at the start of 2017, the administrative responsibility for basic social assistance was transferred to the Social Insurance Institution of Finland (Kela), while supplementary and preventive social assistance remained a local government responsibility. The purpose of the audit was to determine whether the amendment was prepared in accordance with the principles of good law drafting and whether it has had the effects forecast during the preparation of the reform (especially the economic effects and the effects on the work of the authorities). The NAOF also reviewed how the effects of the division of responsibility between Kela and municipalities on the administration of social assistance were considered in the drafting of the amendment. The aim of the reform was to reduce underuse of social assistance, enhance equality and operational efficiency, strengthen the 'single window' principle and to achieve a situation in which adult social work officials no longer have to divert resources to basic social assistance matters. The audit was prompted by the plans to launch preparations for a comprehensive social security reform during the current Government term.

The auditors' observations concerning the implementation of the reform are based on the situation in 2019 when the amendment had been in effect for slightly more than 2.5 years. Some of the objectives set out in the Government proposal are of such a nature that they can only be achieved in the long term. The division of responsibilities between local and central government in the administration of social assistance was already debated during the late 1980s. Enhancing equality has been a key argument in favour of the reform from the outset.

**When drafting proposals to Parliament, the Government should ensure the proper management of implementation-related risks**

In its proposals to Parliament, the Government should detail all benefits, potential risks and costs arising from the proposed legislation. According to the audit findings, the Government proposal (HE 358/2014 vp) for transferring the administrative responsibility for basic social assistance from municipalities to Kela was not fully in accordance with the requirements set out in the guidelines on assessing the impacts of legislative proposals. The reservations presented by the expert group appointed during the preparatory process were not mentioned in the Government proposal. The reservations concerned the reconciliation between the requirement for means-testing of individual basic social assistance applicants and two of the objectives set for the reform: enhanced equality and savings in personnel resources during the administrative process. As a result, the costs arising from the administration of basic social assistance and the required personnel resources have been significantly higher than originally anticipated. The Government proposal did not adequately consider the severing of the link between social work and the granting of financial assistance was identified as a risk during the drafting of the amendment. However,

ensuring the continuation of this link, an essential component of social assistance. Moreover, the Government proposal did not assess the effects of the reduction in underuse and the changes in the administration of basic social assistance on supplementary and preventive social assistance expenditure.

**Better coordination between services and the administration of benefits should be a key consideration in social security reforms**

Most of those objectives set for the reform that concern social assistance clients not in need of special services have been met, and the same applies to clients in whose case no discretion is required. With the introduction of the reform, administration of the financial assistance became the responsibility of a national body, while the services related to it remained the responsibility of local-level actors. Even though this helped to harmonise the criteria for granting basic social assistance, it weakened the link between social work and basic social assistance decisions and complicated the process of referring clients to services. Granting of financial assistance involves social work, such as the mapping of the clients' life situation, providing them with support and referring them to services. Over the past few years, Kela has improved its customer service so that it can better meet the service needs of basic social assistance clients and introduced services resembling those provided by social welfare actors.

Moreover, municipal social welfare actors and Kela have developed cooperation models for services and decisions on financial assistance by means of electronic information systems, for example. Electronic systems have, however, meant more administrative work in municipalities and increased the costs arising from the administration of social assistance. Moreover, electronic systems cannot fully replace the assessment of service needs and referral to services based on face-to-face meetings.

**The preparation of the reform should have paid more attention to basic social assistance as a last-resort source of income security**

The indirect effects of the transfer should, however, have been more comprehensively anticipated during the preparatory process. During the drafting of the amendment, not enough attention was paid to the fact that social assistance is a last-resort source of income security and that decisions on social assistance require means-testing of the individual applicants and such information on the clients' situation that is not generally required in the granting of basic social benefits. Electronic systems are only of partial help in the efforts to support the decision-making process and to make it more efficient because the process is highly labour-intensive.

**As part of the reform, elements requiring discretion were added to the processing of basic social assistance**

The purpose of the Government proposal was not to change the criteria for granting social assistance or the level of the assistance. According to the audit findings, harmonisation of the granting criteria has led to changes in the level of social assistance. Under the Government proposal, Kela may independently determine and apply the content-based and procedural elements of basic social assistance in which discretion is required. According to the audit findings, granting of the basic social assistance is now on a more equal basis, which was also one of the

objectives of the reform. As part of the preparation of the reform, discretionary elements already applied to supplementary social assistance were also incorporated into basic social assistance. However, in its proposal, the Government did not give any consideration to how the transfer of basic social assistance to Kela would impact the means-testing of individual applicants.

When social security legislation is amended, it is important to consider the impacts on authorities across administrative boundaries

The effects of the reform on other authorities were not adequately assessed during the drafting of the legislative amendment. One of the conclusions made in the audit was that the reform has had an effect on the work of experts in TE Services and increased the workload of the authorities dealing with appeals and complaints. This increases the costs of public administration. This is because the Social Assistance Act contains a number of provisions impacting the work of other authorities. When social security reforms are introduced in the future, particular attention should be paid to their indirect effects on the work of other authorities. If social security is considered as a single system, it is easier to anticipate the way in which changes to it impact other areas of the system and to slow down the growth in administrative work.

#### Recommendations of the National Audit Office

When introducing a comprehensive social security reform, the Government should

- ensure the coordination of benefits and services so that when administrative responsibility is transferred from one actor to another, the objectives laid down in legislation are met and the implementation process works smoothly from the perspective of individual authorities and client groups
- allocate enough time and resources for the drafting of its proposals, especially for the preparation of impact assessments
- examine whether the implementation could be on a gradual basis.

The Ministry of Social Affairs and Health should

- when introducing social assistance reforms, take into account that basic, supplementary and preventive social assistance are closely intertwined and that changes in one type of support also have an impact on the other types
- when preparing legislative reforms related to benefit and service systems, ensure that the weakest client groups are able to apply for the services and benefits that they are entitled to.