



**The Well-being Watch**  
Task Force on Basic Services

**Report on Basic Services and Streamlining Measures  
in Times of Recession  
(December 2009)  
(Without appendix.)**

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## **Introduction**

In connection with the implementation of the Government's covenant on stability of 25 June 2009, the Welfare Watch was commissioned to "examine, in collaboration with the Union of Local Authorities and the social partners, ways of protecting the basic services provided by the local authorities." This decision was taken at a meeting between the parties on 8 July 2009. The steering committee in charge of the Welfare Watch formed a special Task Force on Basic Services to undertake this task, and the Minister of Social Affairs and Social Security supported the committee's view that the task force should also examine basic services provided by the state. The task force includes representatives of the social partners, NGOs, the Union of Local Authorities and the ministries.

The task force stresses that the Government should use the opportunities provided by the economic situation to streamline in as many areas as possible in the executive system, at the same time maintaining the welfare system.

This report will seek to define basic services and examine the methods used in streamlining and the priority ranking followed in public services. It will also examine the vulnerable groups of clients of these services and the social consequences of cutbacks in the services. The appendix to the original report examined trends and changes in welfare services in certain spheres in the past 1-2 years.

'Clients' is the term used in this report to designate those who make use of the broad range of services offered by the state and the local authorities.

The task force amassed a large amount of material and held meetings with many people.

# 1. Definition of basic services

'Basic services' has emerged as a new term in public administration and has been used extensively in the debate on streamlining and spending cuts in the past year or two. There is a general consensus on the need to defend and maintain 'basic services', but it is rather more difficult to come to a conclusion on what the term means. Priority ranking is unavoidable in all public administration, both at the national and local government levels, and it is therefore necessary to distinguish between basic services and other services.

Where services are prescribed in law, this means clients have a right to a minimum level of service which cannot be reduced unless a change is made in the law. Such services are therefore kept in place even in times when there is a great need to cut spending. On the other hand, the actual level of services is generally not defined in law, with the result that in fact, reductions in the level can be made even without legislative amendments. 'Basic services' as defined by the task force covers, on the one hand, the services prescribed by law, but may also cover services that are not prescribed by law but have become established by tradition. When a particular service is defined as a basic service, this means that more stringent requirements are made regarding equality, consistency and proportionality when it comes to taking decisions about the level of the service provided, with relevant considerations playing a dominant role. Furthermore, when basic services are defined, it must be borne in mind that there may be differences in actual needs between individual who appear, on the surface, to be in broadly comparable circumstances.

The structure of the service system can be thought of as being like that of an onion. At the centre are the services prescribed in law for children, disabled people, chronically ill and poor elderly people and other vulnerable groups. Then, in the inner layers immediately surrounding the centre are various types of service that have been established by tradition. These core services and others in closely associated levels which may not be reduced constitute 'basic services'. Moving further out, we find several layers of 'optional' services which may be subject to examination when decisions have to be taken on the utilisation of public funds. The distinction between optional and basic services is important when it comes to priority ranking in public services.

Thus, basic services consist, firstly, of legally-prescribed services, and secondly of a standard of legally-prescribed services which has become established by tradition as that to which individuals and families are entitled and which can be regarded as essential even though it is not defined in law. Thirdly, basic services include those services which, though not defined in law, are needed by people with special requirements (because of disabilities or poor health) in order to tackle the challenges of daily life and to play an active role in society.

## 2. Streamlining measures

Attention must be given to the following points when the government takes decisions on reducing specific services due to the economic situation.

1. The level of basic services must be ensured, with no lowering of the standard of services available to the most vulnerable groups.
2. Satisfactory information must be to hand regarding the consequences of decisions for clients of the services. This means that it is best to take decisions in the spirit of transparency and democratic choice and in full consultation with those whom it will affect, including the clients and their organizations, where these exist and, as appropriate, family members and specialists in the relevant field. Furthermore, the social partners should be consulted when the decision has a bearing on them.
3. Flat-rate cuts 'across the board' should not be applied where their full force is felt by the clients; rather, it should be decided to implement streamlining in a strictly-defined area, with compensatory measures taken to ameliorate the consequences of such cuts.

4. Equality, consistency and proportionality must be applied in all respects, it being ensured that no specific groups suffer more than others as a result of streamlining measures.
5. Rationalizing and savings in one area must not result in increased expenditure and strain in other areas of public services. In particular, care must be taken to ensure that expense items are not transferred between central government and the local authorities without simultaneous changes being made to their income bases.
6. When any decision on streamlining is announced, it shall be stated whether it is a temporary measure, and if so then for how long it is to apply, or a permanent measure. All emergency measures taken during times of difficulty must be of such a nature that it will be possible to reverse them when circumstances improve without damage having been caused in the interim period.
7. When streamlining measures are applied in schools, it should be a priority to involve the immediate community, not least the parents and the 'third sector' (NGOs).

If cuts are made in spending without compensatory measures being taken to ensure standards of service and equality, then this will result in a cut in service levels, but not in real streamlining. Local authorities and government institutions are urged to draw up lists of services that may not be reduced, with the points above as their guiding principles in every step they take.

### **3. Priority ranking of services – services for the most vulnerable groups**

In all its work, the Welfare Watch has stressed the importance of resisting all reductions in services for children and families with young children, and also for other vulnerable groups including immigrants. One of the pillars of the welfare system is the school system, and special care must be taken when it comes to streamlining measures there.

Children in homes in which the single parent, or both parents, have lost their jobs or stand outside the labour market for other reasons such as disability or loss of health are in a serious risk category, and care must be taken to ensure that such children do not suffer as a result of cuts in the benefit system or streamlining measures in the school system. Rather, attention should be given to increasing assistance to such families and improving collaboration between institutions such as the social service department, the Directorate of Labour and the 'third sector' (NGOs). Appendix III shows that more than 10,000 children in Iceland have a parent who is unemployed, and more than 300 live in homes where both parents are unemployed.

Most of those people who were in a vulnerable position before the economic recession began are now in an even worse position. These include disabled people, the chronically ill, poor elderly people, the unemployed and people who depend on financial assistance from the local authorities for their survival. The disposable income of those who are worst off, after tax, lies between ISK 115,000 and ISK 155,000 per month in the case of individuals; if they receive rent benefit, the figure is higher but the difference goes straight to their landlords (see Appendix IV). No further financial burdens may be laid on these groups, and their benefit payments may not be reduced. Pensioners have already experienced considerable reductions in payments during the current year and benefits have not risen as they were planned to do. It is important to remember that persons in these vulnerable groups have children, run households and have to pay their debts just like other members of the community. Single men and single mothers constitute the largest groups who have received financial assistance from the local authorities over the past decades.

Every possible avenue must be explored in order to guarantee young job-seekers suitable labour-market measures or educational opportunities; the Welfare Watch has issued a resolution on this matter (Appendix V). Streamlining measures may not adversely affect services for this group.

The legally-prescribed services for the disabled must be maintained and protected, with no lowering of the level of service on which there has been a general consensus up to now. Appendix VI shows the changes in allocations for disabled persons' services between the budget for 2009 and the budget proposals for 2010.

## **4. Social consequences of the recession for children and adults**

The social consequences of the recession can be perhaps most clearly seen in the effect that unemployment has on individuals and on families. Unemployment may result in social isolation and poverty and a loss of self-respect, not least in Iceland, which has stood out in international comparisons because of its very high level of employment. Participation in the labour market is an 'entry ticket' to society: someone who has no job, yet is capable of working and is not pursuing studies, is in many ways not regarded as being 'a respectable human being' in Iceland. In the Finnish economic crisis of the 1990s a particular group of young people who lost their jobs just as they were taking their first steps in the labour market still find themselves excluded from the Finnish labour market today.

Great financial difficulties result in poverty and isolation, and those who are unable to meet their obligations towards their creditors soon lose control of their situation in other areas too. Loss of accommodation may result in families becoming divided and children have to face the disruption of being transferred from one school to another. Children from homes that experience real poverty do not have access to the same opportunities as those from economically secure environments.

In the Finnish economic slump that started after 1990, access to services actually improved, but at the same time the level of services provided dropped in many areas. Child benefit payments were reduced and there was a fall in the quality of services. In 1997, 14% of children in Finland were living in families where one or both parents were unemployed. Families with young children constituted the largest group among the recipients of social assistance, and there was a substantial rise in the number of children placed in foster homes. The child poverty rate rose from 5% in 1990 to 14% in 2007.<sup>1</sup> All possible measures must be taken to avoid such a situation developing in Iceland.

There is a relationship between health and financial position, and poverty may result in permanent ill-health and depression, with unforeseeable consequences, both for those who are directly affected and also for their families and the community at large. In this connection it is important to take effective measures to work to support the social and economic forces that have an influence on the health of children and young people in order to avoid the development of inequality in health. In the light of the same considerations, it is important to continue to give attention to deliberate means of enhancing health and preventive measures among children and young people.

Thus, the long-term consequences of poverty are damaging for both children and adults, and there is much at stake in preventing Icelandic households from falling prey to poverty with consequences of the type described above. A strong welfare system, and streamlining measures based on special consideration towards those in the most vulnerable positions, with appropriate priority ranking, are among the premises for Icelandic society's being able to survive the economic recession.

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<sup>1</sup> Katja Fossen: Lecture held on 24 February 2009 in the University of Iceland.

