



## Policy brief

# SAFE DAILY LIFE AND A CARBON NEUTRAL WELFARE STATE AS THE TARGET OF THE REFORMED SOCIAL SECURITY



Can Finland fulfil its target of being the world's first carbon neutral welfare state? The Sustainable Development Goals and the Green Deal program of the European Union steer to implement the green transition in a socially just way.

To achieve the just transition, we need social policy that addresses social inequalities and vulnerabilities but also enables climate action and halts the biodiversity loss.

## Three means of social policy to support a just transition

*We recommend three social policy instruments based on international research:*

**1. Vouchers** promote climate actions, protect from price fluctuations, and reduce the effects of inequality caused by environmental taxes.

**2. Social dividend** alleviates poverty and strengthens the just income distribution in a green transition.

**3. Participation income** supports societally beneficial, ecologically sustainable activity and strengthens the meaningful participation possibilities of individuals.

Finland has achieved high level of well-being. However, our activities surpass the limits of the carrying capacity of the environment, which threatens the safety of daily life. Risks related to climate change and of biodiversity loss, such as pandemics and heat waves, cause new kinds of disadvantages. Energy and food crises affect the most those who are already in the most vulnerable position. Actions that promote carbon neutrality and the green transition may also have effects that increase inequality. Environmental taxes are most heavily directed at low-income households, and not all citizens can afford the investments required for climate actions.

For the security of daily life and sustainable future, Finland needs new kinds of social policy instruments that simultaneously promote well-being, protect the biodiversity and speed up climate actions.

*” Social policy in its current form is not sufficient to respond to the safety risks of today and the future. Finland needs new kind of social policy that secures the well-being of current and future generations.*

#### **Main goals of social policy:**

- A sufficient standard of living for all by preventing poverty and restraining overconsumption
- Steering human activities to respect the planetary boundaries and to prevent disastrous environmental impacts
- Supporting the equal possibilities of individuals
- Actively utilising social security to promote societal change
- Securing the freedom and choices of individuals within the limits of sustainability targets
- Maintaining an economically efficient social security system and detaching social policy funding from economic growth that is damaging to the environment

## Vouchers reduce the effects of inequality caused by environmental tax

# 1.

**Vouchers** are benefits distributed to citizens that can be used to buy ecologically sustainable goods or services. According to researchers' modelling, vouchers directed at electric bills and travel expenses lead to bigger emission reductions and alleviate energy and transport poverty better than tax returns paid for everyone.

### Benefits:

- Steers consumption in the direction of ecological sustainability
- Protects from price fluctuations
- Reduces the effects of inequality caused by environmental taxes
- Secures everyone's access to necessary products and services

### Possible uses:

- Electric bills for renewable energy
- Public transport journeys
- Local sustainably produced products and services
- Repair services to support circular economy

**How:** *Vouchers* function similarly to existing meal, sports and culture vouchers from the perspective of the user. They could be universal benefits granted to everyone or directed to customers of social security. They could be used as a part of the current social security system. The voucher system should be flexible in a way that, for example, people living in the countryside, could exchange public transport vouchers for renewable energy vouchers, or they could be directed at low-emission vehicles.

**Example:** Vouchers granted by Kela for food, medicine, or bigger one-off purchases such as eyeglasses, are already in use in the Finnish social security system. Sports and culture vouchers granted by the municipality, travel cards for transportation services and financial support to give up oil heating are also examples of the potential use of different kinds of vouchers.

## Social dividend helps to distribute tax revenue directly to households.

# 2.

**Social dividend** is a transfer payment meant for all citizens that is paid as a compensation for using our commons. It enables the direction of taxes to support carbon neutrality in a just way: a part of the revenue coming from the environmental tax collected by the state is distributed to the citizens as a social dividend. When environmental taxes are combined with the social dividend, they can cut overconsumption and production while also safeguarding socially just transition.

According to research, the carbon fee and dividend paid in an equal amount for all citizens, improves the status of low-income households significantly more than general labour tax cuts or the tax relief granted for the elderly or disabled

### Benefits:

- Helps distribute wealth and tax revenue directly to households
- Compensates for the regressive effects of environmental taxes and for the rise of consumer prices
- With the help of compensation, taxes can be set on the ecologically optimal level, where environmentally harmful products are more expensive than products that are sustainably produced.

### Possible uses:

- Carbon fee and dividends distributed as tax returns from carbon taxes
- Global resources dividends paid for taxes directed at the consumption of natural resources, such as mining tax

**How:** *Social dividend* has to be realised in an administratively simple way. The benefit for the citizens must be made visible to them since it might increase the political popularity of environmental taxes. Especially in the introduction phase, the level of the dividend can be quite moderate. As a first step, a small transfer payment funded from the carbon and mining tax can be implemented. In Finland, social dividend should be implemented in a way where it is not accounted for as earnings in relation to means-tested minimum income.

**Example:** In Alaska, social dividend is paid from an oil fund (Alaska Permanent Dividend). Dividends paid from carbon taxes have been implemented in Switzerland and Canada.

## Participation income is paid for participation that promotes sustainability transformation

# 3.

**Participation income** is a social benefit paid for participation that promotes ecological and social sustainability, and it is higher than the minimum benefits of social security. It is a way of supporting ecologically sustainable and societally beneficial participation outside of the labour market. The eligibility criteria for participation income is more broadly defined participation than narrowly understood paid work.

The participation must be voluntarily, and participation income does not replace last-resort social security. According to researchers, participation income would speed up the environmental activity required for a green transition in a way that protects local care needs and strengthens the communities.

### Benefits:

- Supports sustainable development and activity that promotes the green transition
- Helps people to fulfil their potential in a way that is beneficial for the whole society
- Offers possibilities, for example, for people of limited working ability, patients in psychiatric rehabilitation and long-term unemployed people, to orient themselves towards tasks that benefit social well-being and ecological sustainability
- Reduces problems of working life: gives a possibility to detach from work that is environmentally damaging and mentally straining

### Possible uses:

- Environmental stewardship, prevention of non-native species, tasks related to repairing, recycling and restoring the biodiversity
- Tasks related to sports and culture
- Tasks related to social and care work that do not require professional competence

**How:** The implementation of *participation income* could be started by regional experiments, for example, where public officials are responsible for employment and the citizens define jointly the contents of the activity that entitle them to participation income. In Finland, a big part of rehabilitating work and workshops for the unemployed already aims to support ecological and social sustainability. On this basis, a more permanent model of participation income could be created.

**Example:** In Germany, there is a volunteer program directed to the youth where young people working in environmental protection are granted support similar to basic security.



## Contact details

**Liisa Häikiö** / Professor of social policy  
Tampere University  
liisa.haikio@tuni.fi

**Tuuli Hirvilammi** / University Researcher  
Tampere University  
tuuli.hirvilammi@tuni.fi

### **Researchers of Tampere University:**

Tuuli Hirvilammi, Liisa Häikiö, Kaisa Hynynen,  
Anni Jäntti, Lauri Lahikainen, Johanna Perkiö,  
Sanna Rikala, Alisa Vanttinen, Antti Wallin

The ORSI project steers the welfare state to the limits of the carrying capacity of the environment. We are searching for fair and speedy ways of how public administration can steer change. We bring citizens, decision-makers and companies to the same table. We examine the management and budgeting, everyday participation, responsible innovations and steering of consumer choices.

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[www.ecowelfare.fi/en](http://www.ecowelfare.fi/en)

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