Research Plan

1. Application information

Name of consortium:

**Tackling Inequalities in Time of Austerity (TITA)**

Date of research plan: 29.4.2015

PI of the consortium:

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Professor of Sociology, University of Turku

Sites of research:

- Department of Social Research, University of Turku, UTU
- Consumer Society Research Centre, University of Helsinki, CSRS
- Department of Social Sciences, University of Eastern Finland, UEF
- Department of Sociology, Stockholm University, DS
- Diaconia University of Applied Sciences, DIAK
- National Institute for Health and Welfare, THL
- Social Insurance Institution of Finland, KELA
- Swedish Institute for Social Research, Stockholm University, SOFI
- Swedish School of Social Sciences, University of Helsinki, SKHH

Team leaders: Presented in Table 1

2. Rationale

**Significance of the project in relation to current knowledge**

The consortium project “Tackling Inequalities in Time of Austerity” (TITA) provides a novel and comprehensive analysis of long-term trends in financial inequalities, inequalities in health and well-being and inequalities of opportunities over the life course, and their links to the moral and political climate in society. It builds a holistic framework for mapping the most crucial target groups for policy measures and ensures feasible policy recommendations for reducing inequalities in society for decades to come. It makes available tools for policy-learning, both through within-country studies and cross-national comparisons.

Unlike the previous Finnish research projects on social inequality, TITA analyses together multiple forms of inequality (such as income, wealth, consumption, education, family structures, health, mortality, trust and deprivation). The interdisciplinary group of highly established researchers including social scientists, economists, pharmacists, statisticians and mathematicians combine their skills to study causes, mechanisms and consequences of inequality in new and innovative ways that will have a long-lasting national, Nordic and international impact.

TITA has a very strong policy dimension. An overarching aim of the project is to develop and evaluate ex-ante and ex-post policies for decreasing inequalities in society through income distribution, welfare service, benefit schemes, education, family policies, fertility, immigration, health and well-being. Besides “only” highlighting potential targets of policy measures, it will both produce and evaluate feasible policy recommendations for these problems.

TITA exhausts unique longitudinal and time-series data and top-of-the-art statistical methods to fully explore mechanisms of inequality. In order to evaluate past and proposed policy reforms, the project applies the existing microsimulation models as well as builds new ones to cover policy fields that have previously been ignored.

While proving key information to policy makers and general public in Finland, the project will produce a multitude of high-level scientific articles published in leading international journals as well aca-
academic books, conferences presentations and new social scientific data. As part of the management of TITA we will develop a set of research production goals for each WP. This will create transparency and secure a high level of activity in all groups as well as the overall academic impact of TITA.

**Links to previous and concurrent research by the consortium participants and added value of the consortium collaboration**

The most fundamental principle in building the consortium was to ensure it consists of highly qualified and experienced researchers who have a strong publication record in their respective research fields. All WP coordinators and team leaders held established positions in their research areas nationally and internationally.

### Table 1. Composition of work packages (WP) and research projects (RP)

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<tr>
<th>Sites of Research</th>
<th>Coordinator / team leader</th>
<th>Research field</th>
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<tr>
<td><strong>WP 1: Financial Inequality</strong></td>
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<tr>
<td>Coordinator</td>
<td>Professor Markus Jäntti</td>
<td>602 Economics</td>
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<td>WP 1.1.</td>
<td>SOFI; UTU; KELA</td>
<td>Professor Mikko Niemelä</td>
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<td>WP 1.2.</td>
<td>UTU; THL</td>
<td>Professor Hannu Ruonavaara</td>
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<td><strong>WP 2: Inequality of Opportunities Over the Life Course</strong></td>
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<td>Coordinator</td>
<td>Professor Jani Erola</td>
<td>609 Social sciences</td>
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<td>WP 2.1.</td>
<td>DS; UTU</td>
<td>Associate Professor Juho Härkönen</td>
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<tr>
<td>WP 2.2.</td>
<td>KELA; DS; UTU</td>
<td>Senior Researcher Anita Haataja, Academy Research Fellow Marika Jalovaara</td>
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<td>WP 2.3.</td>
<td>KELA; DS</td>
<td>Senior Researcher Jouko Verho</td>
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<td><strong>WP 3: Inequalities in Health and Well-Being</strong></td>
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<td>Coordinator</td>
<td>Senior Researcher Jenni Blomgren</td>
<td>609 Social sciences</td>
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<td>WP 3.1.</td>
<td>UTU; DIAK; UEF</td>
<td>Senior Research Fellow Johanna Kallio</td>
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<td>WP 3.2.</td>
<td>THL; CSRS</td>
<td>Research Professor Pasi Moisio</td>
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<td>WP 3.3.</td>
<td>KELA, UTU</td>
<td>Senior Researcher Jenni Blomgren</td>
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<td>WP 3.4.</td>
<td>KELA</td>
<td>Head of Medicine Research Jaana Martikainen</td>
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<td><strong>WP 4: Moral and Political Economy of Inequality</strong></td>
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<td>Coordinator</td>
<td>Professor Helena Blomberg</td>
<td>403 Pharmacy</td>
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<td>WP 4.1.</td>
<td>KELA; UTU</td>
<td>Professor Olli Kangas</td>
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<td>WP 4.2.</td>
<td>SKHH; UTU</td>
<td>Professor Helena Blomberg</td>
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<td><strong>WP 5: Inequality and Social Policy Alternatives</strong></td>
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<td>Coordinator</td>
<td>Research Professor Pasi Moisio</td>
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<td>WP 5.1.</td>
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<td>Research Professor Pasi Moisio</td>
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<td>WP 5.2.</td>
<td>KELA; SKHH; THL; UEF</td>
<td>Professor Olli Kangas</td>
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TITA brings together leading groups of scholars from Finland and Sweden, from different disciplines and from several institutions and gets them working together in innovative ways in a well-structured framework. The organization of TITA secures that the existing groups will not work in parallel but that researchers from different groups will work together within and between the WPs.

The consortium builds on our earlier and continuing work within the international research projects “Growing Inequalities’ Impacts” (GINI), “Changing Families and Sustainable Societies” (FamiliesAndSocieties) and EQUALSOC Network of Excellence analysing the economic, educational demographic drivers and the social, cultural, political and population impacts of increasing inequality. In addition, all WPs have concurrent research in a given field, and in most cases individual researchers in TITA have conducted research in their specialty areas of social inequality for many years.

### 3. Societal significance and impact

TITA provides a comprehensive approach to better understand the mechanisms of inequality and to find policy solutions to promote equality in an economically and socially sustainable way. TITA’s key concern is to provide solutions and expertise to combat the negative outcomes of inequality and to increase the use of human resources and social inclusion especially among the most vulnerable population groups in society. TITA will address the programmatic research questions as follows:
What are the mechanisms of inequality in Finland today? (QUESTION A)

As Managing Director of the IMF Christine Lagarde stated in her speech at the World Economic Forum in 2013, “Excessive inequality is corrosive to growth; it is corrosive to society” (Lagarde, 2013). Lagarde’s statement concerns the social and economic consequences of inequality. If we want to draw a complete picture of the mechanisms of inequality, we should look at both inequality of outcome and inequality of opportunities over the life course (Sen, 1979).

In order to understand the mechanisms of inequality, TITA provides a novel and comprehensive approach to examine financial inequalities, inequalities in health and well-being and inequalities of opportunities over the life course, and their links to the moral and political climate in society. In the case of each form of inequality we focus on trends and causes and their economic and social consequences.

TITA analyses economic inequalities in income, wealth, and consumption expenditure. In addition to long-term trends, special attention is paid to the consequences of short-term economic shocks observed as housing inequalities on the regional level.

TITA differentiates the fields of key policies influencing equality of opportunity. In particular, it contrasts educational policies with welfare policies specifically targeted at income distribution, policies aimed at families and policies influencing population structure through fertility and immigration.

TITA examines the social and economic consequences of inequality for individuals observed as material deprivation, cumulative disadvantage, social exclusion, health, crime, deficiencies in subjective well-being and unhappiness. In this context we focus on the most vulnerable groups in society as well as policies aimed at promoting social cohesion and avoiding polarisation.

How can equality be promoted in connection with the renewal of basic public services and benefit schemes? In what ways can the public sector best support innovative experimentation, learning by experimentation and institutional change so as to maintain a well-managed transition and successfully renew basic public services and benefit schemes? (QUESTIONS B AND C)

First, TITA provides a holistic framework for mapping the most crucial target groups for policy measures. This ensures that the innovative experiments and new solutions for basic public services and benefit schemes target at improving the living conditions of the most vulnerable population groups.

Second, the comprehensive approach applied in TITA ensures that it produces feasible policy recommendations for reducing inequalities in society. Thus, by utilising the research results produced within TITA and by actively interacting with political decision makers, TITA develops alternative social protection models.

Third, in order to ensure that a proposed policy change is successful, i.e., its real effects correspond with planned effects, TITA evaluates ex-ante the planned social policy reforms in basic services and benefit schemes using tax-benefit microsimulations. It also provides ex-post evaluations in order to learn what works and what does not in terms of costs and incentive and distributional effects of these policy changes and their alternatives.

Fourth, for policy-learning purposes, cross-national comparisons and especially a comparison between Sweden and Finland will provide opportunities to trace best practices and offer possibilities for mutual learning from good (and bad) policies.

Fifth, in order to increase citizen inclusion and social trust and to improve democracy in change management, TITA provides tools to understand the political and moral climate in society and the legitimacy of different welfare policies and proposed policy changes.

Sixth, TITA builds an extensive simulation model in order to predict the near future outcomes of changes in different policies influencing equality, by considering, e.g., the changes in intergenerational socioeconomic attainment due to changes in education, family policies, income distribution, tax and pension accumulation, fertility, immigration and economic cycle.

Altogether, TITA both develops and evaluates politically, economically and socially feasible policy alternatives for basic services and benefit schemes.

How can we best ensure that individuals, groups and institutions possess the capabilities and resources that facilitate equal adaptation to the renewal of basic public services and benefit schemes? (QUESTION D)
A holistic and comprehensive approach applied in TITA enables us to take into account that social reforms in one sector do not increase polarisation between population groups in another. TITA provides tools for planning policy reforms as described above: by providing tax-benefit microsimulations, by providing a simulation model to predict the near future outcomes of changes in different policies influencing equality, by providing knowledge on the popular support of different welfare policies and proposed policy changes and by providing information on practices of other countries.

**How can the results be made use of in society?**

The integration of scientific research and policy advice allows for TITA to maximise impact on society. From the beginning, TITA will have a strong focus on disseminating results to policy makers, civil servants and interest groups. These groups will also be able to influence the research agenda. The composition of the Advisory Board and the resources allocated to dissemination will make a difference in this respect. The overall framework for TITA builds on a foundation of solid empirical research that can contribute to society with evidence based policy solutions: How can a better understanding of the mechanisms of inequality in income, wealth, opportunities, health and well-being contribute to planning and implementation of better policies and creation of social cohesion?

Using a variety of methods, TITA produces systematic knowledge that can serve as basis for developing and evaluating policy solutions. In this respect the integrated dissemination strategy will be highly important (see below). Within TITA we will work closely together with representatives from society in the Advisory Board and we have a clear and coherent strategy for interaction that includes innovative plans to popularise research results.

4. **Objectives and expected results**

A long-term shift from manufacturing to services with slower economic growth and lower productivity of service employment together with a tremendous post-war expansion of welfare state commitments have set a context of permanent austerity. Changes in the global economy, the slowdown in economic growth with rising labour market insecurities and the changing demographic balance through population ageing and family formation all generate considerable fiscal stress. The economic crisis of 2007/8 has served to sharpen that focus.

Concurrently, however, there are growing concerns as well as ample evidence for rising inequality. The titles of recent studies by the OECD encapsulate the current understanding: *Growing Unequal* and *Divided We Stand: Why Inequality Keeps Rising* (OECD, 2008). These warnings are in line with Thomas Piketty’s prediction of “a fundamental force for divergence”—we have regressed to the historic norm of persistently high and growing inequality (Piketty, 2014).

Finland is an excellent example of a country with rising economic inequality. In the long run, both welfare state development and shifts in the national economy are associated with the development of inequality. After the era of welfare state expansion and the recession of the early 1990s, the period between 1995 and 2000 saw a dramatic increase in income inequality—one of the fastest increases in the OECD hemisphere—and has remained high ever since (Blomgren et al., 2014). This suggests that persistent high inequality is here to stay.

The main reason behind growing income inequality was the increase of income among high-income groups, mainly driven by increased capital income. Consequently, the role of financial assets has increased in the wealth structure among the highest income decile. Net wealth inequality has also risen during the 2000s. These factors together with a dual-taxation reform in 1993 were behind the shift from earnings to capital income, which, in turn, meant a diminishing redistributive role of income transfers.

To conclude, we have a rather clear picture about the trends in and general mechanisms of income inequality. However, the Finnish experience holds critical implications for future research, and thus, sets the outline for the consortium project. TITA examines financial inequalities, inequalities in health and well-being and inequalities in opportunities over the life course, and their links to the moral and political climate in society. Based on this outline, TITA consists of five work packages (WP).
**WP 1. Financial inequalities: Inequalities in income, wealth and consumption**

In order to comprehensively understand the mechanisms of financial inequalities we should analyse inequalities in both income and wealth as well as in consumption expenditure. Most of the prior national and international research on financial inequality concentrates unidimensionally on income distribution. However, as the Finnish experience shows, there are insuperable reasons to also focus on wealth distribution. Wealth is the core indicator of “non-human capital”, and recent trends during the last few decades in many countries emphasise a revolution in financial markets and strongly rising prices of stocks and housing.

To conclude the general aims of the research project regarding financial inequalities,

- **TITA analyses long-term trends in and associations between financial inequalities measured by income, wealth and consumption expenditure in order to get a comprehensive view of the mechanisms of financial inequality in Finland. (WP 1.1)**

In order to set the Finnish case to context, TITA produces cross-national analyses of trends in and drives of financial inequality. It also utilises the European Union tax-benefit microsimulation model (EUROMOD) in order to compare the tax-benefit systems of EU countries. Thus, for policy-learning purposes, TITA offers empirical evidence of experiences from other EU countries.

In addition to long-term trends, special emphasis will be given to the effects of short-term shocks which, as we argue, are visible especially in housing inequalities on the regional level. A new aspect in the era of the global economy is that there are many localities which have based their economy on one large corporation. Sudden changes and crises in the local employment situation affect the housing situation of households in different ways. Besides human misery and rising unemployment, the region witnesses an instant shock in housing markets. This, in turn, has a direct effect on the housing equity of the citizens in the region because the housing equity accumulated over the years, maybe decades, may be devalued overnight. In Finland, there are localities that have experienced such sudden shocks such as the internationally known case of the city of Salo where Nokia closed down its mobile phone factory causing the local economy to dive.

- **TITA studies the links between urbanisation and long-term changes in housing wealth and housing costs but also focuses on short-term shocks on the local level with special emphasis on how shocks in housing markets affect households’ housing wealth and housing circumstances. (WP 1.2)**

Policies linked to these questions are related to industrial, housing and employment policies on national and local levels as well as to local government structures and public employment, health and social services. In order to emphasise the most vulnerable groups in society, TITA focuses especially on housing allowances. Thus,

- **TITA analyse the significance of housing allowances and housing tenure for households’ moves into and out of poverty (WP 1.2)**

By doing so, we are able to understand how tightly connected housing allowance recipiency is with income poverty in different types of households and locations. In addition, it is also essential to compare the earnings development of new recipients of housing allowance between tenants of private and
public rental housing, while taking into account locational factors and individual and household level characteristics.

**WP 2. Inequality of opportunities over the life course**

If we want to draw a complete picture of the mechanisms of inequality we should look at both inequality of outcomes and inequality of opportunities over the life course. Intergenerational equality of opportunity (meritocracy) holds that the adult status of children should not be determined by the socioeconomic status of their childhood family, but rather by their own skills and motivation. Empirical evidence on the role of different policies in enhancing equality of opportunity is mixed. Very different educational systems produce the same amount of socioeconomic inheritance and societies with very different welfare state systems may reach similar levels of equality of opportunity (Breen and Luijks, 2004).

We will overcome the limitations of previous literature in multiple ways. First, previous studies have only considered the role of either educational or family policies in equality of opportunity. We differentiate and contrast multiple fields of key policies influencing equality of opportunities, and compare Finland with Sweden where many similar changes have taken place at different times and in a different order.

- **TITA identifies historical changes in key policies influencing education, income (re)distribution, families and fertility over the post-World War II period and compares their effects on intergenerational equality of opportunity.** (WP2.1)

Because of the relatively short follow-ups, previous studies have often mixed period effects with life course effects. Administrative register data available to us cover a period long enough to observe historical trends while taking into account changes in crucial life course events, such as exits and entries into education and the labour market as well as family formation. Therefore,

- **TITA studies the effects of period changes in the life course since the World War II and identifies their impact on equality of opportunity.** (WP2.1)

Equal access to education improved equality of opportunity for decades after World War II in Finland and elsewhere. This may have been a side effect of the historically long period of strong growth; the economic recession of the early 1990s reversed the trend among certain cohorts (Erola, 2009). Educational policies were not able to buffer the effects of the external shock; the role of other policies in this has remained unclear. Thus,

- **TITA estimates the importance of different policies in buffering the turbulence in equality of opportunity caused by economic cycles.** (WP2.1)

Changes in meritocracy overlap with a decline in fertility to sub-replacement level, increasing separation and divorce, as well as rising non-marital cohabitation, single parenthood and childbearing. Previous research reports clear widening socioeconomic differentials between family types, reflecting inequalities in opportunities for achieving a stable family life, as well as influences of family dynamics on the well-being of women, men, and children (Härkönen and Dronkers, 2006). Thereby,

- **TITA analyses interdependencies between changes in families and socioeconomic inequalities in life courses and identify factors creating barriers for family formation and stability.** (WP2.2)

The research will provide suggestions for welfare policies that can be used to diminish the obstacles, and to buffer the consequences of disadvantageous family events. A comparison between Finland and Sweden is in this respect highly relevant: despite other similarities of the two welfare states, family policies differ considerably (Haataja and Nyberg, 2006).

Career breaks after childbearing seem to weaken the labour market position of women. Currently, many reforms concerning early education legislation are under preparation (such as care fees, part-time care and a re-evaluation of subjective rights to early education in certain situations). However, changes in parental leaves also influence children: schooling outcomes, cognitive skills, and socio-emotional behaviours. Similarly to above, because of policy differences we will compare Finland and Sweden. In order to assess their effects,
• TITA examines how childbearing, and long family leaves in particular, influence the employment trajectories and socioeconomic positions of women and men as well as multiple child outcomes. (*WP 2.2*)

The increasing population share of immigrants since the 1990s has also had its consequences on meritocracy. Integration to the Finnish welfare state may potentially induce social mobility especially among second generation immigrants, while social benefits may also hinder immigrants’ integration to the labour markets. Further, the aim of Finnish immigration policy has been to attract skilled immigrants but many emigrate from Finland within five years after their arrival. Research from Sweden has shown that immigrants face a higher risk of entering poverty and a lower risk of exiting it, contributing to the persistence of disadvantage among immigrant populations (Obućina, 2014). In order to assess these questions in Finland,

• TITA analyses immigrant poverty, unemployment and social mobility, while taking emigration into account. (*WP 2.3*)

Poverty, unemployment and social mobility are associated with family policies. Previous evidence shows that immigrants utilise home care allowance more and longer than natives (Tervola, 2015). A comparative analysis between Finland and Sweden provides important evidence about immigrants’ child care choices under different social policy contexts.

• TITA examines the influence of family policies on immigrants’ integration pathways. (*WP 2.3*)

Finally, social mobility, education, family policies, fertility and migration are all intertwined with the general trends in income inequality. Changes in any related policies will have long-term structural, demographic and fiscal consequences. Thus far, policy makers have not had the tools to assess these effects. In order to provide tools for making proper predictions of the future of equality of opportunity,

• TITA builds an extensive simulation model in order to predict the near future outcomes of changes in different policies influencing equality of opportunity in Finland, by considering the changes in intergenerational socioeconomic attainment resulting from changes in education, family policies, income distribution, tax and pension accumulation, fertility, immigration and the economic cycle. (*WP2.1*)

**WP 3. Inequalities in health and well-being**

As a follow up to the above discussion about inequality of opportunities, high inequality can act as a barrier to growth, with inequality in capabilities, for instance, serving to reduce the size of the pie. Here sufficient social protection and public services can potentially serve to provide an environment that supports rather than undermines economic growth. Inequality has very concrete impacts on people’s everyday lives. It produces, among another things, the polarisation of everyday lives, a waste of human and economic resources, a fear of others, sickness, and short life-expectancies (Therborn, 2013; Wilkinson and Pickett, 2009). Besides individual level impacts, it generates effects on the macro level in terms of national economy, public health, social trust, violence, and social cohesion in general.

Thus, in order to understand the mechanisms of inequality we should examine the association between financial inequality and inequalities in health and well-being,

• TITA explores whether the development of financial inequality during the past decades has had effects on the social outcomes of the individual such as material deprivation, cumulative disadvantage, social cohesion, health, crime, subjective well-being, and happiness. (*WP 3.1*)

• The effects will also be analysed on the macro level, using output information of welfare institutions such as children in foster care, clients of child welfare services, and recipients of social assistance. (*WP 3.1*)

The purpose is to provide a more holistic approach to the topic and to focus both on subjective and objective effects of inequality. In addition, TITA focuses especially on the most vulnerable population groups in society by examining cumulative disadvantage.
• TITA compares population level subjective well-being with the well-being of clients of food banks. (WP 3.1)

• TITA analyses unemployment and downward occupational mobility as a risk factor for mortality among middle-age and early old-age Finnish men and women. In addition it will examine regional differences in health and mortality. (WP 3.1)

National targets, evaluations and political decision-making regarding poverty and social exclusion are mostly based on Eurostat’s relative poverty risk indicator together with the risk of poverty or social exclusion (AROPE) indicator. However, the validity of these measures has been strongly criticised. They say very little about the severity and intensity of poverty and even less about the inequalities within societies. Poverty indicators based on minimum consumption outlined by reference budgets are considered as a more valid alternative. Therefore,

• TITA improves the validity of poverty measurement for decision-making by updating and extending the reference budgets for a decent minimum standard of living developed previously by the researchers of TITA in 2010 (Lehtinen et al., 2010). (WP 3.2)

The aim is to define a poverty threshold (in euros) based on minimum reference budgets and to use this threshold to evaluate the validity problems of current ways of measuring poverty. The focus will be on how the validity problems of current poverty indicators may have distorted the picture of poverty (level, distribution and development), upon which political decision-making is currently based.

Widening socio-economic differences in health are a demonstration of the potential hampering effects of widening social stratification (Tarkiainen et al., 2012). From the comparative perspective, growing socio-economic differences in health are a notoriously Finnish problem. In order to answer to the question of how equality in health can be promoted in connection with the renewal of basic services and benefit schemes, TITA will closely analyse two particularly interesting benefit schemes.

• TITA analyses socio-economic differences in the use of work disability benefits. Does the benefit system help decrease socio-economic differences in work ability or does it aggravate them? (WP 3.3)

Postponing and preventing declines in work ability are among the key measures in securing the sufficiency of the labour force and reducing disability related costs. Sickness absence and disability pension recipiency rates are comparatively high in Finland (OECD, 2010). The costs of the loss of potential work contribution due to sickness absences and disability pensions are estimated to be over 11 billion euros yearly (Rissanen and Kaseva, 2014). As ill health and disability are very unevenly distributed in the Finnish population according to social status, also the probability of using work disability benefits depends strongly on socio-economic background. The uneven burden of disability in different socio-economic groups has implications on the ability to gain income and accrue pensions, which further deepen the uneven distribution of resources between socio-economic groups. Knowledge on the routes leading from work ability to sickness absence and further to disability pension among different socio-economic groups is needed in order to better focus the efforts of improving work ability, especially in the most vulnerable groups. As disability is more prevalent among the less advantaged groups, greater gains may be achieved through focusing the efforts on these groups. For this purpose, the project provides more knowledge of the differences in the pathways leading to long-term disability according to socio-economic background and on the ability of the benefit system to alleviate disability-related inequalities.

• TITA examines equality in medicine prescriptions and reimbursements. (WP 3.4)

Affordability of medicines has been a concern in Finland for several years (STM, 2012). At the same time, reimbursements have been subject to constant cost containment and austerity measures resulting from the post 2008 financial crisis still implemented (Laki sairausvakuutuslain muutamisesta 252/2015). Co-payments in Finland rank high in comparison with Nordic and other European countries. In Finland, co-payments are not sensitive to patients’ income and it is therefore likely that population subgroups are unequally affected by the burden of costs. Inequalities can also persist in the prescribing of medicines. Socio-economic factors have been suggested to affect the choice between rela-
tively expensive new and cheaper older medicines. Prescribing patterns may also differ between the public and private sectors which—due to the large role of occupational health care operating mainly in the private sector—serve different population subgroups. Furthermore, there are multiple reasons to suspect that the degree of equality and inequality across regions varies in health-related policies and, hence, in outcomes as well. Therefore, TITA studies the effects of the annual co-payment threshold effective from January 2016 on different patient groups and in socio-demographic population subgroups. In addition, it will analyse physician and patient level factors affecting prescribing of medicines and the consequences of economic shocks in terms of the local use of medicines as a cure.

**WP 4. Moral and political economy of inequality**

Inequality is a normative concept: inequality is something about which people often feel strongly. This fact itself is more than enough to motivate scientific research on the drivers and consequences of social inequalities as well as on alternative policies to alleviate them. It also underlines the importance of analysing the moral and political economy of inequality. All political parties, for instance, are against poverty, social exclusion and inequality in life changes—at least on a very general level. However, there are substantial differences in opinions when it comes to the meaning of inequality and to questions of what, if anything, should be done with different forms of inequality. According to the legislation, the level of basic social security should be evaluated once every four years. This evaluation is based on output measures. Outputs are political artefacts: the level of benefits depends on political decision-making. Therefore, it is highly important that the political process and politics that produce outcomes be evaluated as well.

- **TITA concentrates on the political economy of in/equality and studies political and public discourse on in/equality. (WP 4.1)**

Thus, an explanatory objective is to advance knowledge of political and public discourses on different forms of social inequalities and remedies to cure the problems. The study of discourses is important since concepts used in debates direct our thinking and constrain political decisions. The aim is to unravel such mind maps and make them more visible. Another aim is to study policy processes and motivations behind decisions. TITA examines the policies enacted by policy-makers to respond to various contextual constraints.

In addition to the distributive effects and the economic efficiency of welfare policies, also the policies’ normative effects among the population are an important component upholding social order and the legitimacy of the state. Especially in the current societal situation, characterised by financial pressures and widespread expectations of “permanent austerity”, knowledge of the factors influencing welfare policy attitudes can be regarded as important for efforts to uphold social order and legitimacy. Therefore,

- **TITA studies long-term changes in welfare attitudes, the association between welfare attitudes and related policy measures. (WP 4.2)**

Main focus is on the connection between popular support for redistribution and related policy measures, and institutional and structural change (economic, political and social change). Another aim is on people’s evaluation of welfare state performance and public support to proposed policy reforms (see Kangas et al., 2014). Thus, TITA focuses both on the attitudes and evaluations of the population in general and on the evaluations and attitudes of specific vulnerable target groups such as, e.g., the long-term unemployed, social assistance recipients, the long-term sick or disabled, or the elderly.

**WP 5. Inequality and social policy alternatives**

By utilising the research results produced by the above-mentioned work packages and by actively interacting with political decision makers, TITA will develop alternative models for social protection. Benefit schemes, taxation and out-of-pocket expenses of public services form a complex system. A reform in one part of the system may produce unexpected outcomes in others. For this it is important to evaluate planned social policy reforms in basic services and benefit schemes ex-ante using tax-benefit microsimulation. It is also as important to evaluate the same reforms ex-post in order to learn what works and what does not. Consequently,
• TITA develops politically and economically feasible policy alternatives for basic services and benefit schemes from the governmental programme and evaluates the cost, incentive and distributional effects of these policy alternatives. (WP 5.1)

TITA will analyse reforms to be proposed in the governmental programme effective after the parliamentary elections of April 2015. The governmental programme will most likely include large reforms on social protection and welfare services. The programme will probably also suggest that some of the reforms first be experimented as (local) trials. Operationalising these reforms into detailed policy alternatives and evaluating them with microsimulation will serve the implementation of the governmental programme and the reforming of the social protection system and welfare services.

Besides changes in the level or coverage of social benefits, the implementation of benefit schemes holds an important role in citizens’ lives. Currently individual municipalities are responsible for administrating social assistance, but from 2017 the implementation of basic social assistance will be transferred to the Social Security Institution of Finland (Kela). Supplementary and preventive social assistance will be left to the devices of local authorities. The so-called “Kela transfer” was the biggest single social policy reform the Katainen/Stubb government carried out.

• TITA evaluates the implementation process of the basic social assistance transfer from local governments to Kela, and its consequences on equality between clients and on social work in municipalities. (WP 5.2)

Consequences of the transfer may be far-reaching. Thus, there are several policy-relevant tasks for TITA for interesting and innovative evaluations. First, all basic social benefits will be under Kela, which may facilitate streamlining the scattered basic social security system in Finland. Second, the transfer is a substantial change in the handling of applications. Instead of local offices, decisions will be made centrally. Third, the reform aims at homogenising benefits and processes to make them more equal throughout the country. Fourth, in the future it will be possible to send applications electronically which may on the one hand increase the total costs of the system and on the other hand cut the connection between handing out money and providing guidance in the form of social work. Finally, to what extent will the “Kela transfer” change the role of social work in municipalities?

Thus, TITA produces a multifaceted evaluation of the pros and cons of the reform. It provides opinions from employees of Kela and municipal social workers, clients and decision-makers. All these data allows us to give recommendations for improvements for the system to function better and to better help people cope with their various problems. The comparative part of the project gives fruitful possibilities to compare the centralised Finnish system with the municipal Swedish system.

5. Research methods and material, support from research environment

Methods

The richness of data allows TITA to utilise a wide variety of methods. The repertoire of research methods will include quantitative but also qualitative approaches. Our explanatory models span different levels: individuals, gender, social classes, occupations, regions and finally, to place the Finnish experience in a wider frame of reference, a wide number of cross-national comparisons will be conducted. We believe that this kind of multifaceted approach is a productive device to yield recommendations based on strong evidence. When studying the interplay between inequality, economy, health, and various socio-economic, cultural and political factors, it is often difficult to establish causality. However, by using longitudinal data we can mimic natural experiments where we have an exogenous ‘treatment’ (e.g., a sudden economic shock), outcome measures and ‘control groups’ (similar municipalities without the ‘treatment’). Such before/after comparisons in conjunction with exogenous shocks have strong leverage for the study of causal effects of economic and social change and their multiple impacts.

TITA’s special emphasis is on microsimulation models. The SISU model is a static microsimulation model, which can be used for both data simulation and fictional data simulation. Fictional data simulation can be used to make simulations for certain types of persons or households generated by the user by calculating taxes, benefits and disposable income for them. With fictional data simulation, the operation of the income transfer and taxation systems can be described easily and swiftly by simulating, for example, a person’s net income after a certain legislative amendment. Data simulation can be
used to calculate the effects of legislative amendments or measures made to the income transfer system on income distribution and on the financial position of different population groups and the entire public economy (see Statistics Finland, 2014).

EUROMOD is the European Union tax-benefit microsimulation model. It simulates individual and household tax liabilities and benefit entitlements according to the policy rules in place in each member state. It can be used to examine the effects of actual changes in policy over time, for example to show the extent to which changes in public policies have contributed to reducing (or increasing) income poverty or inequality. It can also be used to simulate the effects of proposed, alternative or hypothetical policy changes in each member state, as well as for exploring the implications of alternative economic or demographic scenarios on national and EU levels (Sutherland and Figari, 2013).

Research material and data management

With a comprehensive approach to study the mechanisms of inequality, TITA utilises a large variety of quantitative data, and there are plenty of possibilities to link different data sources in order to address our research questions (see Table 2). TITA utilises register data on income, housing, health and sickness, mortality, social benefits, medicine prescriptions growth environments and demographic changes. In addition, there are a lot of national and cross-national cross-sectional time-series data available which provide information on income, living conditions, attitudes, trust and social cohesion. Besides the existing data, individual WPs will also conduct new surveys in order to analyse, for instance, the implementation process of social assistance (WP 5.2), well-being and social cohesion (WP 3.1), housing circumstances on the local level (WP 2.1), child care policies (WP 2.2), and the legitimacy of proposed policy reforms (WP 4.2).

All in all, TITA will extensively rely on existing databases, national registers and various international data and produce new data (to be openly available for research use through the Finnish Social Science Data Archive). The use of micro-level data will adhere to normal standards set by national data collectors and register authorities.

Table 2. Main data sources of TITA.

<table>
<thead>
<tr>
<th>National data</th>
<th>Time period covered</th>
<th>Utilised within TITA</th>
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<tbody>
<tr>
<td>Family Dynamics in Finland [register]</td>
<td>1970–2011</td>
<td>WP 2.1 and 2.2</td>
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<tr>
<td>Finnish Census Panel [register]</td>
<td>1970–2007 (to be ext.)</td>
<td>WP 2.1</td>
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<tr>
<td>Finnish Food Aid Surveys</td>
<td>2012, 2013</td>
<td>WP 3.1 and 5.2</td>
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<tr>
<td>Finnish Reference Budgets</td>
<td>2010</td>
<td>WP 3.2</td>
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<tr>
<td>Growth Environment [register]</td>
<td>1980-2010 (to be ext.)</td>
<td>WP 2.1</td>
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<tr>
<td>Household Budget Surveys</td>
<td>1966–</td>
<td>WP 1.1 and 1.2</td>
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<tr>
<td>Immigration [register]</td>
<td>2001–2011</td>
<td>WP 2.3</td>
</tr>
<tr>
<td>Income Distribution Statistics</td>
<td>not applicable</td>
<td>WP 1.1 and 1.2</td>
</tr>
<tr>
<td>Kela benefits’ processes [register]</td>
<td>not applicable</td>
<td>WP 5.2</td>
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<tr>
<td>Lape dataset [register]</td>
<td>1998–2010</td>
<td>WP 2.2 and 2.3</td>
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<tr>
<td>LISA</td>
<td>1998–2010</td>
<td>WP 2.3</td>
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<tr>
<td>Population Survey of Kela</td>
<td>2000–</td>
<td>WP 3.1 and 5.2</td>
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<tr>
<td>Prescription Centre and Archive [register]</td>
<td>2010–</td>
<td>WP 3.4</td>
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<tr>
<td>Prescription Register [register]</td>
<td>1995</td>
<td>WP 3.4</td>
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<tr>
<td>Social Barometer</td>
<td>1991–</td>
<td>WP 5.2</td>
</tr>
<tr>
<td>SOTKAnet</td>
<td>not applicable</td>
<td>WP 3.1</td>
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<tr>
<td>Special Refund Entitlement Register [register]</td>
<td>1964–</td>
<td>WP 3.4</td>
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<tr>
<td>Survey on Well-Being and Social Cohesion in an Unequal Society</td>
<td>2012</td>
<td>WP 3.1</td>
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<tr>
<td>Wealth surveys</td>
<td>not applicable</td>
<td>WP 1.1 and 1.2</td>
</tr>
</tbody>
</table>

Cross-national data

| European Community Household Panel                 | 1994–2001           | WP 1.1 and 3.1       |
| European Social Survey                            | 2002–                | WP 3.1 and 4.2       |
Support from research environment

TITA will be hosted by the Department of Social Research at the University of Turku. As a largest department of the Turku Center for Welfare Research it is an academic centre of quantitative social research in Finland. Together with representative institutions that represent statistical authorities and quantitative multidisciplinary research TITA will provide excellent prospects to conduct research that serves political decision-making. Research institutions represented, and their benefits to TITA are described in the online application under Infrastructures and in Section 8. Tangible support to the project from local, national and international research environments is described in Section 8.

6. Ethical issues

The proposal raises two sets of ethical issues. First, there is the question of data. A great deal of individual-level micro-data—health-related data in particular—are sensitive and subject to special ethical considerations. All projects using sensitive data will be submitted to ethical inspection to follow requirements on aspects of confidentiality and ethics (see also data management above). It goes without saying that TITA follows the principles of responsible conduct of research of the Finnish Advisory Board on Research Integrity.

Second, since our proposal is highly multi-disciplinary and practices in co-authorship vary greatly between, e.g., health sciences and economics, co-publication may cause tensions. Significant differences exist between health, social and humanistic sciences as regards co-authorship. Especially important in this respect is that young scholars get recognised for their contribution to joint work. In this respect the participants will be committed to create maximum transparency (who has contributed in what way) and more formally will follow the so-called Vancouver Protocol as well as the European Charter for Researchers and the Code of Conduct for the Recruitment of Researchers (published by the European Commission in 2005).

7. Implementation

Table 3 below shows the schedule for the SRC consortium’s research. Most of the teams begin their research 2016 (with two teams starting 2015 and three teams in 2017. Only WP1.1 will run for the whole funding period.

Table 3. Project schedule in annual quartiles according to work packages and corresponding teams.

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8. Research teams, collaboration
National and international collaboration and its significance for project implementation

As a consortium that consists of nine departments from Finland and Sweden, both national and international collaboration is embedded in TITA. In addition, the researchers participating in TITA are internationally oriented with strong international networks. Integrating these networks will be a valuable resource for the proposed research project. The CVs of senior participants demonstrate experience from (including leading role in) numerous international research projects both on Nordic, European and national levels. Furthermore, researchers have long-established cooperation (projects, co-publishing) with colleagues from numerous leading European research institutions. Personal contacts to international, especially Nordic in this context, top researchers will be a great asset for the project and we want to emphasise that this can open doors for internationalising the careers of young scholars.

Several WPs have also appointed colleagues or other stakeholders as a research partner to TITA (entered on the online application under Collaborators). They are experts related to the data utilised in research projects or they are scholars who conduct very similar research abroad in their domestic research projects.

Finally, but not least, TITA has two kinds of advisory boards in order to enhance national and international collaboration as well as the quality and policy relevance of research (also entered on the online application under Collaborators). The Advisory Board (AB) consists of stakeholders that represent planning of political decision-making, interest groups as well as implementation of social and health policies. The AB’s role is described in more detail in the Interaction Plan. The Scientific Advisory Board (SAB) comprises distinguished scientists, each nationally and internationally recognised for excellence in his or her field of research. The role of the SAB is to provide scientific advice to the team leaders, WP coordinators and to the director of TITA. They also provide valuable strategic advice by reviewing the research agenda and the scientific outputs of TITA.

9. Mobility plan

The main instruments of mobility within TITA will be the internal mobility scheme, research training, and the workshops/seminars: The internal mobility scheme will support research stays in partner institutions outside the researchers’ country of residence (Finland and Sweden). We also highly welcome research partners outside the proposed consortium (see Collaborators in the online application). The scheme will provide short research stays of 2 to 8 weeks. Support is given to actual transaction costs (not salary). Research training will be an integrated part of the mobility strategy. TITA utilises methodological devices such as microsimulation models which are rather difficult to approach. One of the added values of TITA is that it will provide training for these models, and as a consequence educate a new generation of microsimulation experts to serve Finnish decision-making. Finally, several workshops and seminars will be organized within TITA (see Interaction Plan). Participating institutions have also established their own workshops and seminars. Researchers in TITA are also welcome to present their papers in these seminars. TITA will also support researchers’ participation in national and international scientific conferences and seminars financially.

10. Key literature or bibliography


