



OECD Social, Employment and Migration Working Papers
No. 98

Activation Policies in Finland

**Nicola Duell,
David Grubb,
Shruti Singh**

<https://dx.doi.org/10.1787/220568650308>

Unclassified

DELSA/ELSA/WD/SEM(2009)26

Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development

23-Nov-2009

English - Or. English

DIRECTORATE FOR EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS
EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS COMMITTEE

DELSA/ELSA/WD/SEM(2009)26
Unclassified

OECD SOCIAL, EMPLOYMENT AND MIGRATION WORKING PAPERS No. 98

ACTIVATION POLICIES IN FINLAND

Nicola Duell, David Grubb and Shruti Singh

JEL codes for classification: H53, H83, I38, J08, J63 and J65

JT03274864

Document complet disponible sur OLIS dans son format d'origine
Complete document available on OLIS in its original format

English - Or. English

DIRECTORATE FOR EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS

www.oecd.org/els

**OECD SOCIAL, EMPLOYMENT AND MIGRATION
WORKING PAPERS**

www.oecd.org/els/workingpapers

This series is designed to make available to a wider readership selected labour market, social policy and migration studies prepared for use within the OECD. Authorship is usually collective, but principal writers are named. The papers are generally available only in their original language – English or French – with a summary in the other.

Comment on the series is welcome, and should be sent to the Directorate for Employment, Labour and Social Affairs, 2, rue André-Pascal, 75775 PARIS CEDEX 16, France.

The opinions expressed and arguments employed here are the responsibility of the author(s) and do not necessarily reflect those of the OECD

**Applications for permission to reproduce or translate
all or part of this material should be made to:**

**Head of Publications Service
OECD
2, rue André-Pascal
75775 Paris, CEDEX 16
France**

Copyright OECD 2009

ACKNOWLEDGEMENTS

Nicola Duell and David Grubb are economists in the Employment Analysis and Policies Division at the OECD Directorate for Employment, Labour and Social Affairs, and Shruti Singh is an economist on secondment to the OECD from the UK Department of Work and Pensions (DWP). They prepared this review under the supervision of the head of division, Stefano Scarpetta, and with statistical assistance from Sylvie Cimper.

The OECD review team met staff in a number of Finnish institutions related to labour market and social welfare policies on a mission in January 2008. Comments on an earlier draft of the report were provided by the Finnish authorities in August 2009. The authors thank officials of the Ministry of Employment and the Economy and the Ministry of Social Affairs and Health, and staff of employment and welfare offices, union and employer organisations and research centres for information and comments. The authors also thank Peter Tergeist for comments and editing suggestions.

ABSTRACT

This report examines the performance of the Public Employment Service (PES) and the effectiveness of activation strategies in Finland. It covers the role of the key actors, the placement function of the PES, the structure of out-of-work benefits and the related incentives and disincentives for taking up work, and provides an overview of the different active labour market programmes (ALMPs).

After reaching extremely high levels in the early 1990s, unemployment in Finland declined steadily until the onset of the current economic downturn which has seen a rapid increase in the number of jobseekers. In the short term, the main challenge is to combat high and potentially persistent unemployment. In the longer term, given the ageing population and the likelihood of skills shortages, the focus should be on promoting participation of under-represented groups in the labour market while also investing further in skills.

The broadly-defined PES includes a variety of actors at the national, regional and local levels. Local Employment Offices enjoy a high degree of autonomy in providing employment services but their work is not sufficiently coordinated at the central level. The payment of unemployment benefits and ALMPs are managed by separate bodies, and local Labour Committees implement labour market conditions for benefit eligibility. Municipalities, which administer social assistance benefits, also provide some employment services for their unemployed clients. In 2004, separate labour force service centres (LAFOS) were introduced with staff detached from the local Employment Offices, municipal services, and in some cases from the national social security institution, to provide specialised assistance for hard-to-place jobseekers. Since 2006, municipalities finance half the cost of the previously nationally-funded unemployment assistance for long-term unemployed, while the State finances half the cost of the basic assistance elements of social assistance payments.

Activation measures have been improved for more than a decade. Since 1998, assistance benefit recipients have been increasingly referred to active programmes, and an activation plan procedure was introduced in 2001 and strengthened in 2006. However, the unemployed are required to participate in the drawing-up of an “individual job-search plan” only after some months of unemployment, and the “activation plan” is set up only after 136 weeks for earnings-related unemployment recipients. Finland still has an earnings-related benefit of nearly two years in duration, without intensive activation requirements comparable to those in Denmark or Sweden.

Finland’s expenditure on ALMPs in recent years has been close to the EU15 average, while its expenditure on passive programmes has been well above the EU15 average. A relatively high proportion of the active expenditure is on *Labour Market Training*, which is of high quality but tends to be selective so that less-educated youths, older workers and the long-term unemployed are under-represented. Two measures introduced in the 2000s, rehabilitative work experience and workshops, succeed in reaching these groups. Besides training and wage subsidies, innovative programmes in Finland include *Job Alternation Leave* in which unemployed people temporarily replace incumbent workers, and *Social Enterprises*, which operate in the open market while employing people with relatively low productivity who qualify for a wage subsidy. Participation by people on earnings-related benefit as well as older workers in the traditional and innovative ALMPs needs to be increased.

RÉSUMÉ

Ce rapport examine la performance du Service Public de l'Emploi (SPE) et l'efficacité des stratégies d'activation en Finlande. Il analyse le rôle des acteurs clés, la fonction de placement du SPE, les dispositifs d'indemnisation de la population d'âge actif non-occupée et leurs effets sur la motivation de reprendre une activité ; il fournit un aperçu des différents programmes actifs du marché du travail (PAMT).

Après avoir atteint un niveau très élevé au début des années 1990s, le chômage a constamment diminué jusqu'à l'actuelle récession économique marquée par une augmentation rapide du nombre des demandeurs d'emploi. Le principal défi à court terme est de lutter contre un chômage élevé et potentiellement persistant ; à long terme, eu égard au vieillissement de la population et aux pénuries de main-d'œuvre qualifiée probables, il serait nécessaire de cibler la participation au marché du travail des groupes défavorisés tout en investissant dans l'élargissement des connaissances.

Le service public de l'emploi (SPE), au sens large du terme, regroupe de nombreux acteurs aux niveaux national, régional et local. Les agences locales pour l'emploi bénéficient d'une autonomie importante dans la gestion des services pour l'emploi, et leur démarche manque de co-ordination au niveau national. Le versement des allocations-chômage et les PAMT sont gérés par des organismes différents ; les conditions d'attribution des allocations en fonction du comportement du demandeur d'emploi sur le marché du travail sont mises en œuvre par des comités locaux distincts. Les municipalités, qui gèrent l'assistance sociale, offrent également à leur clientèle au chômage des services liés à l'emploi. En 2004, des centres séparés de services pour la population active (LAFOS) furent créés ; leur personnel est détaché tant des agences locales pour l'emploi que des municipalités, et dans certains cas de l'institution nationale d'assurance sociale ; ces agents s'occupent particulièrement des demandeurs d'emploi difficiles à placer. Depuis 2006, les municipalités financent par moitié l'assistance en matière de chômage versée aux chômeurs de longue durée auparavant financée entièrement par l'État. En contrepartie, l'État participe par moitié au financement des indemnités de base de l'assistance sociale.

La stratégie d'activation s'est améliorée depuis plus d'une décennie. Depuis 1998, les bénéficiaires de régimes d'assistance ont davantage été placés dans des mesures actives. Une procédure pour établir des plans d'activation fut introduite en 2001 et renforcée en 2006. Néanmoins, les chômeurs sont amenés à participer à l'élaboration d'un « plan individuel de recherche d'emploi » au bout de plusieurs mois de chômage, et dans le cas des bénéficiaires d'allocations-chômage liées au salaire un « plan d'activation » n'est décidé qu'à l'issue de 136 semaines de chômage. Les allocations-chômage liées au salaire en Finlande ont toujours une durée maximale de presque deux ans sans qu'une obligation à l'activation renforcée ne soit appliquée, telles celles instaurées au Danemark et en Suède.

Les dépenses pour les PAMT en Finlande sont comparables à la moyenne de l'UE15, bien que les dépenses pour les mesures passives se situent bien au-dessus de la moyenne de l'UE15. Une proportion relativement importante des dépenses pour les mesures actives est allouée à la « formation pour le marché du travail », certes d'excellente qualité mais qui s'avère sélective, laissant de côté les jeunes avec un faible niveau de qualification, les travailleurs âgés et les chômeurs de longue durée. Deux mesures introduites autour des années 2000 ont eu du succès pour ces groupes cibles : des programmes de réhabilitation par l'expérience professionnelle, et la mise en place d'ateliers spécifiques pour acquérir des compétences de bases. Au delà des mesures de formation et des subventions salariales, il y a en Finlande des programmes innovateurs tels que le « congé d'alternance », qui permet de remplacer temporairement un employé titularisé par un chômeur, et les « entreprises sociales » opérant sur le marché non protégé mais employant des personnes à productivité réduite pour lesquelles des subventions salariales leur sont versées. La participation de personnes touchant des allocations-chômage liées au salaire ainsi que celle des seniors, tant dans les PAMT traditionnels que dans les PAMT innovants, doit être augmentée.

TABLE OF CONTENTS

| | |
|--|-----------|
| Acknowledgements | 3 |
| Abstract | 4 |
| Résumé..... | 5 |
| Glossary..... | 11 |
| Summary and recommendations | 12 |
| 1. Background..... | 12 |
| Increasing employment is a priority..... | 12 |
| Historical background | 12 |
| Recent progress in activation measures for the unemployed | 14 |
| 2. The institutional framework | 15 |
| Too many actors design and implement labour market policies | 15 |
| Lack of direct central management of Employment Offices..... | 15 |
| The municipalities' role | 16 |
| The financing of assistance benefits..... | 16 |
| Recent reforms of the PES | 16 |
| The Labour Force Service Centres (LAFOS)..... | 16 |
| Staffing of the employment service..... | 17 |
| 3. Activation measures implemented by the Employment Offices and the LAFOS | 17 |
| The activation stance should be maintained in the current economic downturn..... | 17 |
| Interventions in the unemployment spell need to be more systematic..... | 17 |
| The individual activation plan..... | 18 |
| 4. Unemployment and related benefits | 18 |
| High benefit reciprocity rates..... | 18 |
| Benefit sanctions | 19 |
| The duration of Earnings-related Allowances should be cut once the economy begins to recover | 20 |
| The increased rate of benefit and Change Security | 20 |
| 5. The effectiveness of active labour market programmes | 20 |
| Increase participation in active labour market programmes (ALMPs) | 20 |
| Job Alternation Leave as a labour market programme for the crisis..... | 21 |
| Hiring subsidies are more effective in the private sector | 21 |
| Some other employment subsidies | 22 |
| Social Enterprises | 22 |
| Training measures | 23 |
| Programmes for particular target groups..... | 23 |
| CHAPTER 1. THE BACKGROUND TO ACTIVE LABOUR MARKET POLICIES IN FINLAND | 27 |
| 1.1. Introduction..... | 27 |
| 1.2. Demography, immigration and education..... | 28 |
| 1.3. Labour market trends | 29 |
| General labour market performance..... | 29 |
| 1.4. Labour market situation of specific groups..... | 34 |
| Youth unemployment, transition patterns and educational and vocational policies | 34 |
| Older workers..... | 35 |
| Persons with disabilities | 36 |

| | | |
|---|---|-----------|
| 1.5. | Role of social policies, the social partners and the local level..... | 37 |
| | Social policies and economic restructuring..... | 37 |
| | The role of government and national planning..... | 37 |
| | The role of social partners..... | 38 |
| 1.6. | History of the Public Employment Service (PES), recent reforms and patterns of labour market spending..... | 39 |
| | History of the PES and recent reforms..... | 39 |
| | Patterns of labour market spending..... | 40 |
| CHAPTER 2. INSTITUTIONAL ORGANISATION..... | | 41 |
| 2.1. | Introduction..... | 41 |
| 2.2. | Actors in labour market policy..... | 41 |
| | Ministry of Employment and the Economy and the Public Employment Service..... | 41 |
| | Ministry of Social Affairs and Health, Ministry of Education and inter-ministerial co-operation..... | 43 |
| | Social partners..... | 45 |
| | Municipalities..... | 45 |
| | Service providers for training and specific activation measures..... | 48 |
| 2.3. | Main characteristics of the Finnish Public Employment Service..... | 48 |
| | Local Employment Offices and separate structures for particular target groups..... | 48 |
| | Management of the Employment Offices..... | 49 |
| | Labour Force Service Centres..... | 51 |
| | The Social Insurance Institution (KELA)..... | 52 |
| | Unemployment Funds..... | 53 |
| 2.4. | Financial and human resources..... | 54 |
| ANNEX 2A. Supplementary tables..... | | 56 |
| CHAPTER 3. PLACEMENT AND ACTIVATION STRATEGIES IN FINLAND..... | | 60 |
| 3.1. | Introduction..... | 60 |
| 3.2. | The job-broking function..... | 60 |
| | Overview..... | 60 |
| | Placement and counselling activities of the Employment Offices..... | 60 |
| | Activities of the labour force service centres (LAFOS)..... | 64 |
| 3.3. | Employer outreach, services for employers and redundancies..... | 66 |
| | Employer outreach in relation to placement services..... | 66 |
| | Payable services for employers..... | 66 |
| | Industrial restructuring and Change Security..... | 66 |
| 3.4. | Activation strategies..... | 68 |
| | Current activation measures..... | 70 |
| | Recent reforms for the long-term unemployed on Labour Market Support (LMS)..... | 74 |
| | Activation measures for young unemployed people..... | 75 |
| 3.5. | Quantitative analysis of job-broking activities..... | 76 |
| | International comparisons of PES market share..... | 76 |
| | Trends in registered jobseekers, vacancies and placements..... | 78 |
| CHAPTER 4. UNEMPLOYMENT AND RELATED BENEFITS..... | | 81 |
| 4.1. | Introduction..... | 81 |
| 4.2. | Benefit reciprocity rates..... | 82 |
| | International comparisons for the main categories of benefits..... | 82 |
| | Unemployment benefit recipients and labour force survey unemployment..... | 86 |
| 4.3. | The history of benefit entitlements and benefit conditionality..... | 87 |
| | Public works..... | 87 |

| | |
|---|------------|
| Development of the welfare state until the early 1990s | 87 |
| The introduction of the Earnings-related Allowance | 88 |
| The contribution condition for Earnings-related Allowance | 89 |
| Eligibility conditions for unemployment insurance (UI) benefits | 91 |
| Assistance benefits for the unemployed | 91 |
| Impact on unemployment | 94 |
| 4.4. Unemployment insurance (UI) benefits and their administration | 96 |
| Standard entitlements to an Unemployment Allowance | 97 |
| Particular situations of entitlement to Earning-related Allowance | 103 |
| The duration of Earnings-related Allowance and the timing of referrals to ALMPs | 108 |
| Basic Allowance | 109 |
| The financing of unemployment benefits | 109 |
| 4.5. Labour Market Support (LMS) and social assistance | 109 |
| Main features of LMS | 109 |
| Social assistance and its interaction with LMS | 111 |
| The financing of LMS, active measures for LMS recipients and social assistance | 112 |
| 4.6. Activation measures | 114 |
| Job-search and programme participation requirements | 114 |
| Benefit sanctions | 115 |
| 4.7. Related benefits | 117 |
| Integration Assistance for immigrants | 117 |
| Job Alternation Compensation | 118 |
| Disability benefits | 118 |
| Rehabilitation allowance | 118 |
| CHAPTER 5. ACTIVE LABOUR MARKET PROGRAMMES | 119 |
| 5.1. Introduction | 119 |
| 5.2. The role and structure of active labour market programmes | 119 |
| Active and passive labour market programmes | 119 |
| Overview of measures | 120 |
| 5.3. Employment subsidies | 122 |
| The Employment Subsidy for private employers and the Combined Subsidy | 123 |
| Temporary employment in the municipal and state sector | 123 |
| The reformed employment subsidy system | 124 |
| Evaluation evidence relating to wage subsidies in Finland | 125 |
| Social enterprises | 127 |
| Start-up incentive schemes | 128 |
| Domestic help credit | 129 |
| 5.4. Job-rotation and job-sharing approaches | 129 |
| 5.5. Training measures | 131 |
| Labour Market Training | 131 |
| Apprenticeship training | 135 |
| On-the-job training and work-life training | 136 |
| 5.6. Measures for specific target groups | 137 |
| Young people | 137 |
| Older workers | 138 |
| People with disabilities | 139 |
| ANNEX 5A. Supplementary tables | 141 |
| Bibliography | 145 |

List of Boxes

| | | |
|----------|---|-----|
| | Summary of main policy recommendations | 25 |
| Box 1.1. | Policy changes in 2009 and 2010 | 39 |
| Box 2.1. | Municipal labour market policies: the example of the City of Helsinki | 46 |
| Box 2.2. | The National Workshop Association | 48 |
| Box 3.1. | History of activation measures to 2001 | 69 |
| Box 5.1. | The role of social enterprises in the Finnish labour market | 127 |
| Box 5.2. | Evaluations of Labour Market Training | 134 |

List of Figures

| | | |
|-------------|--|-----|
| Figure 1.1. | GDP per capita, Finland and OECD, 1970-2008..... | 27 |
| Figure 1.2. | Educational attainment in OECD countries, 2006..... | 29 |
| Figure 1.3. | Employment and unemployment rates, Finland, Europe and OECD non-european countries, 1980-2008..... | 30 |
| Figure 1.4. | Registered unemployed and LFS unemployed, Finland, 1990-2008..... | 31 |
| Figure 1.5. | Active and passive labour market measures in OECD countries, 2007 <i>versus</i> 1997 | 40 |
| Figure 3.1. | Stock of unfilled vacancies and stock of registered unemployed, Finland, 1996-2008..... | 78 |
| Figure 3.2. | Flows of vacancies, placements and registered unemployed, Finland, 1996-2007 | 79 |
| Figure 5.1. | Incidence of unemployment and expenditure on active labour market programmes, selected OECD countries, 2007 | 120 |
| Figure 5.2. | Expenditure on active labour market programmes by main category, selected OECD countries, 2007 | 121 |
| Figure 5.3. | Participants in active labour market measures, Finland, 1981-2008 | 122 |

List of Tables

| | | |
|-------------|--|-----|
| Table 1.1. | Employment rates, average exit age and hiring rates of older workers, selected OECD countries, 2008 | 36 |
| Table 2.1. | Staff in the Finnish PES by type of service, 2006 | 55 |
| Table 2A.1. | Public employment service office networks and staffing, selected OECD countries, selected years | 56 |
| Table 2A.2. | Total staff of the Public Employment Service, selected OECD countries, selected years .. | 58 |
| Table 3.1. | Jobseekers with disabilities in active measures, Finland, 2005 and 2006 | 65 |
| Table 3.2. | Individual action plans in Finland | 71 |
| Table 3.3. | Incidence and average duration of job search reported by unemployed people in time-use diaries, 14 countries | 73 |
| Table 3.4. | Indicators of structural unemployment in Finland, December 2004 to December 2006 | 74 |
| Table 3.5. | Outcomes of the LMS reform, Finland, 2005-07 | 75 |
| Table 3.6. | Indicators of PES market share, 2007..... | 77 |
| Table 4.1. | Income-replacement benefit reciprocity rates for the working-age population in 16 countries, 1980-2004 | 83 |
| Table 4.2. | Reciprocity rates for individual benefits by main category, 2000-07 | 85 |
| Table 4.3. | Ratio of the number of unemployment benefit recipients to the number of labour force survey unemployed, 2000-07 | 86 |
| Table 4.4. | Unemployment benefit recipients by type of benefit, 1990-2008 | 97 |
| Table 4.5. | Earnings related Allowance, Basic Allowance and LMS recipients by occupation, 2007..... | 101 |
| Table 4.6. | Characteristics of recipients of Earnings-related Allowance, 2004 and 2007 | 103 |

| | | |
|-------------|--|-----|
| Table 4.7. | Distribution of Earnings-related Allowance recipients by age and duration of benefit receipt, 2005 | 106 |
| Table 4.8. | Levels of LMS and Social Assistance benefits by household type, 2005..... | 111 |
| Table 4.9. | Income sources of households in receipt of social assistance, November 2002 and 2007 | 113 |
| Table 4.10 | Unemployment benefit refusals and sanctions, Finland, 1997 and 2007..... | 116 |
| Table 5.1. | Status three months after the conclusion of a subsidised job, 1998-2007 | 126 |
| Table 5.2. | Participation in Labour Market Training and other active programmes by type of benefit received, 2007..... | 134 |
| Table 5.3. | Rates of participation in active programmes by LMS recipients, 2003 and 2007 | 137 |
| Table 5A.1. | Public expenditure for labour market programmes, 1998-2007 | 142 |
| Table 5A.2. | Stocks of participants in labour market programmes, 1998-2007 | 143 |
| Table 5A.3. | Expenditure per participant-year in labour market programmes, 1998-2007 | 144 |

GLOSSARY

| | |
|------------|---|
| Aetat | National Employment Service (Norway) |
| ALMP | Active Labour Market Programme |
| EC | European Commission |
| EIRO | European Industrial Relations Observatory |
| EU | European Union |
| EU15 | 15 European Union member countries (Denmark, Sweden, the United Kingdom and 12 Euro-area countries) |
| ETK | Finnish Centre for Pensions (<i>Eläketurvakeskus</i>) |
| FÁS | Training and employment authority (Ireland) |
| FTE | Full-time equivalent |
| GDP | Gross Domestic Product |
| HETUS | Harmonised European Time-Use Survey |
| ISA | Insurance Supervisory Authority (<i>Vakuutusvalvontavirasto</i>) |
| IT | Information Technology |
| KELA | The Social Insurance Institution (<i>Kansaneläkelaitos</i>) |
| LAFOS | Labour Force Service Centre |
| LES | Local employment service (Ireland) |
| LFS | Labour Force Survey |
| LMP | Labour Market Programme |
| LMS | Labour Market Support (unemployment assistance benefit) |
| MEE | Ministry of Employment and the Economy |
| MHLW | Ministry of Health, Labour and Welfare (Japan) |
| MIFA | Ministère de la Famille et de l'intégration (Luxembourg) |
| MoL | Ministry of Labour |
| MSAH | Ministry of Social Affairs and Health |
| NAV | National Employment and Welfare Service (Norway) |
| OECD | Organisation for Economic Co-operation and Development |
| PES | Public Employment Service |
| SMEs | Small and medium-sized enterprises |
| SNAS | Service national d'action sociale (Luxembourg) |
| SOCX | <i>OECD Social Expenditure database</i> |
| SRAS | Service régional d'action sociale (Luxembourg) |
| T&E Centre | Employment and Economic Development Centre (a regional-level body) |
| TYJ | Federation of Unemployment Funds in Finland (<i>Työttömyyskassojen Yhteisjärjestö Ry</i>) |
| TYKES | Finnish Workplace Development Programme |
| UI | Unemployment insurance |
| VATT | Government Institute for Economic Research (<i>Valtion taloudellinen tutkimuskeskus</i>) |
| YTK | General Unemployment Fund |

SUMMARY AND RECOMMENDATIONS

1. Background

Increasing employment is a priority

1. Finland needs to increase employment rates in order to maintain the welfare state and to ensure that sufficient labour resources and skills are available in the long run. This implies, among other steps, continued efforts to raise employment rates among older workers and people with disabilities. Finland has made extensive efforts to improve working conditions for older workers, and has recorded large increases in their employment rates since 1994, although this was from a low starting point and rates of job entry from older-worker unemployment still need to be improved.

2. As in other OECD countries, differences in labour force participation rates by level of educational attainment are large, suggesting that levels of hidden unemployment among those with low educational attainment are high, as is also the case for open unemployment rates. Educational attainment in Finland has been increasing more rapidly than in many OECD countries and is above the OECD average. However, the last upswing showed that there was a high demand for skilled labour and skills shortages appeared. In the light of fairly high youth unemployment and potential future skills shortages, two weaknesses of the vocational and education system need to be tackled: one is the length of study and the late age of entry to full-time employment, and the other, as in many other countries, is a skills mismatch, since the vocational choices made by young people often do not correspond to labour market demands. Furthermore, a major challenge consists in easing the transition from schools to further education and training as well as from further education and training to the labour market.

Historical background

3. The current economic crisis erupted after a prolonged decline in unemployment as Finland recovered from the deep recession of the early 1990s. In the early 1990s, Finland suffered the greatest increase in unemployment ever experienced among OECD countries over a four-year period, reaching a peak in 1994 at a rate of 16.7%, after which the unemployment rate fell steadily, reaching 9.8% in 2000 and 6.4% at its trough in 2008. This was still above the levels of the 1980s, and the recovery from high unemployment had taken much longer than in other OECD countries.

4. Although Finland experienced shocks to export demand and in the financial sector which largely explain the timing and depth of the 1990s recession, it is not clear that their scale was unique in the experience of OECD countries. Several labour market and social policy variables probably slowed down the subsequent reduction of unemployment:

- High benefit replacement rates had been introduced relatively recently. Between 1980 and 1990, expenditure on working-age benefits as a percentage of GDP increased more in Finland than in any other OECD country, despite a fall in the unemployment rate between these years. The increases in the level and coverage of benefits included the introduction of earnings-related unemployment insurance, which led to an increase of about 50% in typical benefit levels, and the creation of an entitlement to cash social assistance on the basis of a means test not clearly

conditional on availability for work. Experience from similar changes in other countries suggests that benefit caseloads tended to reach peak levels about 15 years after the introduction of new or more generous benefit entitlements, after which a shift in focus towards restrictive measures and activation strategies led to levelling-off or reversal of the caseload rise. The developments in Finland broadly fit such a pattern, although the peak in the earnings-related benefit caseload occurred slightly less than a decade after its introduction;

- The 1987 Employment Act guaranteed, for the long-term unemployed who were not placed in an ordinary job, a six-month subsidised public-sector job. This generated entitlement to 23 months on earnings-related benefit, during which the person could qualify for another subsidised job. This potentially extended the earnings-related benefit indefinitely, arguably to a greater extent than in any other OECD country except Sweden which had a similar arrangement. Even before 1990, the decline in the number of short-term unemployed was smaller, and outflows from unemployment into jobs in the open labour market were lower, in the areas of Finland where the 1987 Employment Act was first implemented. In the recession incomes out of work, even in long-term unemployment, were maintained, and in the early years to 1993 earnings at the bottom of the wage distribution increased relative to the median; and
- The unemployment assistance benefit (LMS) in the 1990s was paid to adults almost without labour market conditionality or activation measures. Social assistance tended to make up major shortfalls in income that might otherwise result from a benefit sanction, discouraging administrative attempts at enforcing conditionality; and this group was hardly ever referred to labour market programmes, which were focused instead on youths and recipients of the Earnings-related Allowance.

5. In addition to these issues, some longstanding features of the institutional structure in Finland tend to weaken the activation stance:

- The management of the PES is highly decentralised. Although local PES staff are employees of the national government, the Employment Offices have direct management contacts only with regional-level offices (T&E Centres). At the same time, they regularly co-operate with municipalities and other local actor. Thus local considerations influence, to a relatively great extent, the management of employment services for people on nationally-financed benefits. Benefit sanction decisions are taken by local Labour Committees, distinct bodies on which other local actors are directly represented. In most other OECD countries, initial sanction decisions based on information from the placement process are made either by the local PES office or by bodies under the social ministry;
- Earnings-related Allowance is paid by Unemployment Funds. Especially given that fund membership is voluntary, these tend to see their role as defending the interests of their members, notably by extending or defending benefit levels and in some respects limiting the intensity of activation requirements; and
- The unemployment assistance benefit, LMS, is managed and until recently was financed at national level. Other OECD countries that have nationally-financed assistance benefits tend to have lower net replacement rates than Finland has had since the 1990s, and a more centralised employment service. In countries such as Denmark, the Netherlands and Switzerland that have higher net replacement rates, this takes the form of social assistance managed and mainly financed by municipalities.

6. Institutional incentives of this kind influence labour market outcomes through their impact on benefit administration and the adoption of activation measures. Activation measures promoted at national level, such as sanctions for older workers who refuse a job (legislated in 1993), job-search reporting requirements (by certain accounts, legislated in 1998) and an obligation to accept referrals to rehabilitative work (proposed, but not finally enacted for adults, in 2001), have in several cases been little or not all implemented. However, institutional incentives probably also operate through detailed implementation practices which remain largely undocumented.

Recent progress in activation measures for the unemployed

7. Reforms adding to the requirements for receiving unemployment benefits have been, except in the case of youths, introduced quite cautiously and progressively. The main changes have been:

- In 1997, the contributions required to qualify for Earnings-related Allowance were increased from 26 to 43 weeks. This, combined with cut-backs in the volume of subsidised jobs for recipients of earnings-related benefit, progressively halted the “carrousel” effect noted above (requalification for benefits through participation in programmes);
- A 1998 reform called for the employment service to establish job-search plans after five months of unemployment, conduct interviews with clients at regular intervals, and monitor independent job search. However, only the first of these reforms was systematically implemented;
- A 1998 reform of social assistance legislation gave force to benefit sanctions for LMS, which previously had been largely ineffective because social assistance often acted as an alternative source of income;
- The 2001 Act on Rehabilitative Work Activity created sanctions for failure to participate in activation plans. Subsequently, rates of participation by adult LMS recipients in labour market programmes – which had been close to zero – increased steadily (even though participation in rehabilitative work itself has not yet been made obligatory); and
- The LMS reform of 2006 made municipalities financially responsible for half the cost of LMS benefits paid to people who have been unemployed for 100 weeks (or 136 weeks if they had started on an unemployment insurance benefit). This was accompanied by new sanctions, the establishment (starting from 2004) of the LAFOS joint service centres (see below) which provide intensive counselling and assistance, and further increases in rates of participation in labour market programmes by this target group.

8. These reforms have probably contributed to the reduction in unemployment: *e.g.* unemployment in Finland was stable or falling in the early 2000s when a number of other countries suffered a minor recession, and the LMS caseload fell by nearly 30% from 2005 to 2008. Nevertheless, they so far fall short of the more drastic activation measures in countries such as Denmark, the Netherlands and Sweden. For example, in the Netherlands since 2004 the municipalities bear the whole cost of social assistance payments and in Sweden this has always been the case. The unemployed on earnings-related benefit must participate in measures full-time after nine months of unemployment in Denmark and 14 months in Sweden. These other countries mainly use “sticks” (*i.e.* benefit conditionality) to ensure participation in active labour market programmes, while Finland partly uses “carrots” (*i.e.* pays additional allowances to attract participants into programmes). The Netherlands has eliminated the role of the social partners in managing benefits, privatised employment service provision, and in 2006 reduced the duration of earnings-related benefits.

9. Thus, even though Finland has implemented significant activation measures which seem to have influenced their target groups as might be expected, further steps are needed to ensure that the unemployment rate, notably in terms of benefit recipient numbers, does not remain relatively high. At the same time, attempts at pushing particular measures through without adequate agreement or attention to the institutional constraints may fail. It is important to promote understanding of the case for activation measures and, in some cases, for institutional reforms that support them.

2. The institutional framework

Too many actors design and implement labour market policies

10. The main actors in employment policies are the Ministry of Employment and the Economy (MEE) (which incorporates the former Ministry of Labour), the Ministry of Social Affairs and Health, the Ministry of Education, the municipalities, the Social Insurance Institution (KELA) and the Unemployment Funds. The system is rather fragmented, with split responsibilities for active and passive measures. KELA has the main responsibility for the income-support aspects of active and passive labour market programmes, but the Earnings-related Allowance is administered by the Unemployment Funds.

11. Standards concerning unemployment benefits, as regards the labour-market-behavioural criteria for eligibility, are set by local Labour Committees associated with each Employment Office which can also have a say on local activation policy issues. In general, the PES, the municipality and the social partners are represented on the board of these committees. LMS is supplemented in more than a third of cases by social assistance which, in turn, is paid by the municipalities. The LMS reform of 2006 created a more direct incentive for municipalities to reduce the number of very-long-term unemployed people in the local labour market, but split financing responsibility between the national and local levels. Co-operation between different institutions and different levels of government is therefore an important issue.

Lack of direct central management of Employment Offices

12. Local Employment Offices, although financed by the MEE, have considerable autonomy. The Employment Offices are directly managed from the regional-level Employment and Economic Development Centres (T&E Centres), which depend on MEE but have many other responsibilities as well. In 2009, the Employment Offices were renamed in Employment and Economic Development Offices. However, they clearly still have their focus on employment services. A body for managing the PES at the national level does not exist and responsibility in MEE seems to be spread across different units.

13. Although decentralised approaches to activation policies have a range of advantages, the role of the MEE in co-ordinating, evaluating, following up and designing programmes and activation strategies needs to be strengthened. Currently, performance management is done by T&E Centres but only the national level has, potentially, enough resources to research and develop strategies thoroughly. Ministry experts should have a good knowledge of local conditions and issues such as differences in reporting standards between offices, to allow effective assessment and promotion of systematic interventions in the unemployment spell. Approaches used in other countries include holding meetings at which heads of PES local offices exchange experiences, audits of local offices that have good or bad performance according to the national monitoring system, and the “Back to the Floor” scheme in the United Kingdom, where senior national managers spend a week doing a frontline job. In Finland, for the benefits that are entirely nationally-financed, central supervision should ensure that individual decisions and the key requirements associated with benefit receipt follow national guidelines, limiting the scope for local actors to establish practices that differ across localities or diverge from national objectives.

The municipalities' role

14. Historically, municipalities have been heavy users – and they remain significant users – of subsidies for hiring the unemployed in six-month temporary jobs. However, the main incentive for them has been to achieve savings on the cost of delivering municipal services. They should be given more incentive to achieve a permanent solution by placing participants in the external labour market or, in a few cases, give them a permanent municipal job. In countries where municipalities bear most of the cost of assistance benefits, this tends to give them such an incentive.

15. Perhaps related to the Employment Offices' theoretical monopoly in the acquisition of job vacancies, municipal social service departments in the past did not implement employment services of their own as much as in other countries. However, encouraged by successive Acts (in 1998, 2001 and 2006) they have increasingly sought to activate social assistance recipients, often those who are LMS recipients.

The financing of assistance benefits

16. The LMS reform of 2006 increased the incentive for municipalities to introduce or participate in measures that reduce the number of people unemployed for more than two years. In these cases, municipalities now cover 50% of the cost of LMS payments. Conversely, central government now covers 50% of the cost of the basic components of social assistance. The joint financing of the LAFOS aligns the financing of employment services with the financing of assistance benefits.

17. However, currently among other OECD countries only Belgium, Denmark and Japan directly split the costs of unemployment assistance or last-resort social assistance across levels of government to a significant extent. Three other countries which previously had a cost-splitting arrangement (Canada, the Netherlands and the United States) reformed this so that central government grants to local governments are no longer directly linked to their passive benefit expenditure. A similar approach in Finland would involve combining LMS and social assistance under the responsibility of the municipalities, possibly retaining a national system for situations where currently LMS is paid but the household does not qualify for social assistance.

Recent reforms of the PES

18. During 2004 and 2006 a reform of the PES was implemented, by setting up *i*) Job-Seeking Centres in order to boost efficiency and effectiveness in the first phase of job seeking by ameliorating the availability of information and by helping people to find a job by themselves; and *ii*) Labour Force Service Centres (LAFOS) for the difficult-to-place unemployed, jointly staffed by municipalities and the PES. As a result of the reform, the PES services are structured around three groups of jobseekers: e-services for the ready-to-work jobseekers; individual services provided by the Employment Offices to jobseekers (placement, career guidance and active labour market programmes) as well as to employers; and intensified services at the LAFOS for disadvantaged groups. While self-service procedures may be better-suited for job-ready clients, those who do not find work quickly should enter more intensive PES counselling, and the LAFOS should play a more active role in placing the long-term unemployed.

The Labour Force Service Centres (LAFOS)

19. About 39 LAFOS centres have been established between 2004 and 2007, involving 63 Employment Offices. The LAFOS client group corresponds approximately to the target group of the LMS reform of 2006 (see above), but some social assistance clients not on LMS and some shorter-term unemployed with special needs are also referred. It seems that the coverage of the latter target group by LAFOS services should be higher, as intensive guidance and counselling and the consideration of multiple problems may become crucial already within the first year of unemployment, while the employment prospects of people unemployed for more than two years are poor. At the same time, currently some disadvantaged clients with limited employability are sent back to the Employment Office or to the municipality. It is important to develop capacity in the LAFOS and more specialised structures to ensure that such clients are so far as possible followed up, and not only kept on purely passive measures.

20. Thanks to co-operation between institutions, the LAFOS offer multi-professional services. However, the implementation details are quite varied. It would be advisable to develop a common monitoring system for all LAFOS and provide common training in order to tackle the differences in institutional culture between Employment Offices and municipal Welfare Offices. Furthermore, co-operation between the LAFOS and the traditional Employment Offices could be strengthened, and practices for referring jobseekers between them could be improved.

21. Like the main network of Employment Offices, the LAFOS lack central management. Co-operation between the different types of institutions can be imperfect due to differing cultures, although there are also synergies between the expertise and the working methods of staff from different backgrounds. KELA provides some staff to the LAFOS, aiming to increase participation in vocational rehabilitation by people on a disability benefit, but their role should be strengthened. KELA counsellors should also be involved in situations where long-term unemployed or social assistance clients may be encouraged to apply for a disability benefit.

Staffing of the employment service

22. The number of PES staff relative to the number of wage earners in the economy, or relative to the number unemployed, is reasonably high in Finland compared with other OECD countries, and a comparatively high proportion of staff are concerned with placement activities. The range of placement services offered is broad, including some relatively specialised staff providing vocational guidance. However, Employment Offices have a high proportion of temporary staff and a relatively low average educational level of staff, except for some specialist functions. To support the establishment and implementation of effective action plans and more frequent interview contacts with jobseekers, the role of skilled and experienced case managers should be developed further. The comparatively high share of psychologists at the Employment Offices could represent a good point of departure, although the case management function should involve job-matching and placement as well as traditional vocational guidance.

3. Activation measures implemented by the Employment Offices and the LAFOS

The activation stance should be maintained in the current economic downturn

23. In order to allocate scarce resources with a view to targeting the most intensive services on those most in need, Employment Offices increasingly expect jobseekers to be responsible for their own job search and directly use on-line databases. However, in the current recession larger numbers of unemployed jobseekers have little recent experience with job search, and they may need assistance to pursue it, and larger numbers are likely to remain unemployed for long periods. There is a risk that self-directed unemployment becomes passive as the duration of unemployment increases. Employment Offices should so far as possible limit spells of unsupervised job search to three months, after which job-search plans are established and followed up.

Interventions in the unemployment spell need to be more systematic

24. A first intensive interview with the jobseeker does not take place until after a month. However, this interview may provide information needed for effective job-matching and referral, or identify a need for particular types of assistance. The delay in holding the first interview may result in the loss of some opportunities for referrals. In a number of countries, such as Australia, and the Netherlands, the first intensive interview takes place *at* registration, along with profiling and the creation of individual action plans.

25. Face-to-face contact with the unemployed should be more frequent. A schedule of interviews every six months in the first one or two years of unemployment was proposed in 1998, but only briefly implemented. However this proposal seems at best a minimum for older workers or workers with disabilities on an unemployment benefit, and below an appropriate minimum for most unemployed.

26. Data on interviews actually conducted should be entered into the national management information system, providing information on current practices and allowing benchmarks and targets to be defined and monitored. Similarly the national management information system should incorporate information from job search monitoring, such as job applications and other actions reported by the jobseeker to the counsellor, and counsellors' evaluations of job search, based on interviews and reviews of the individual action plan. Guidelines about the monitoring of job search should be set out and followed up, with assessments of progress made both at national level and at the level of individual Employment Offices and T&E Centres.

27. Direct referrals to vacancies, with sanctions for unco-operative behaviour, can be a useful way to check jobseekers' availability for work, since they generate feedback from employers. However most OECD countries expect the more-easily-employable unemployed to mainly search and apply for job vacancies themselves and Finland has been moving in this direction, with self-directed search as the norm for the short-term unemployed using Job-Seeking Centres. Direct referrals of the unemployed to job vacancies should be made in a strategic way, by a case manager with good knowledge of their situation, focusing on jobseekers who have an action plan with search in the ordinary labour market as the main action expected.

28. Especially in recession, when there are not enough job vacancies to allow frequent referrals of the long-term and disadvantaged unemployed, alternative referral options such as short training courses need to be multiplied, in order to maintain minimal levels of contact and interventions during potentially long periods of passive unemployment.

The individual activation plan

29. The individual activation plan established for the long-term unemployed after 100 weeks on LMS (or 36 weeks after exhaustion of UI) often requires participation in an active labour market programme (ALMP). Such a participation requirement in some cases increases motivation to find work in the open labour market. Also at about this time in their unemployment spell, the municipality's responsibility for 50% of the cost of LMS starts, and people with particular barriers are often referred to the LAFOS for multi-professional support. Together, the reforms in 2006 may have contributed to the recent decline in unemployment and in numbers receiving LMS.

30. However, the scheduling of entry to intensive activation in Finland is out of line with international practice. The activation requirements – in terms of the individual activation plan, entry to more intensive case management and assistance, and obligatory participation in labour market programmes – should be brought forward to start after about one year. This would be a particularly large change for people on Earning-related Allowance, who currently establish the individual activation plan only after 136 weeks (31 months) of unemployment.

4. Unemployment and related benefits

High benefit recipiency rates

31. Recipiency rates are relatively high for several categories of working-age benefit in Finland. The Unemployment Pension contributed to relatively high levels of early retirement in the 1990s and 2000s, although this, after nearly 40 years of existence, will be closed to new entrants aged 60 in 2010. Despite some fall in the 1990s, recipiency rates for incapacity (sickness and disability) benefits remain relatively high and have started to increase again in recent years. The Child Home Care Allowance, which is paid to mothers who care for their young children at home, also contributes to Finland's relatively high level of benefit recipiency among people of working age, but the payment of this benefit ceases when the youngest child reaches the age of three.

32. Although benefit recipiency rates are somewhat above the international average for most categories of benefit, Finland in 2004 still stood out with a particularly high rate in the area of unemployment benefits. This is related to the fact that the number of unemployment benefit recipients remains well above the number of people unemployed according to the labour force survey. This is likely to be due to three factors:

- The general level of job-search intensity among benefit recipients is low: in 1999-2000, according to a time-use survey, the unemployed in Finland only spent any time on job search in one day out of twenty, a lower rate than in 11 other countries for which similar survey data are available. A significant proportion of unemployment benefit recipients seem to be classified in the labour force survey as inactive because they report no act of job search in the past four weeks. To encourage job search, job-search monitoring and programme participation requirements should be strengthened;
- As noted in the OECD review *Ageing and Employment Policies*, rates of inactivity among unemployment benefit recipients in the older age groups, covered by extended benefits, are particularly high. Earnings-related Allowance is still extended through to retirement for people aged 57 years and 1 month or more when they first enter unemployment. This threshold should be pushed back until entitlements for older workers are aligned with those for other groups. Employment Offices should continue job-search monitoring, placement efforts, referrals to job vacancies and labour market programmes, and sanctions in cases of refusal for this age group, rather than allowing benefit to act as a form of early retirement. In other countries, earnings often fall for older workers who stay in employment. The system of earnings-related benefit entitlements should be reformed to ensure that people who stay in or take up employment but with lower earnings than before will not suffer a loss of benefit entitlement, relative to those who become and remain unemployed; and
- In Finland, it is often possible for a spouse to claim LMS when his/her partner is in work, and for both spouses to claim LMS when both are out of work but lack recent work experience. In other OECD countries with indefinite-duration assistance benefits, until quite recently only one member of a couple would typically be registered as unemployed and counted as a benefit claimant. Probably related to these provisions, assistance benefit coverage of female unemployment is high, probably higher than in most other OECD countries. This high benefit coverage, when the availability requirements for benefit receipt are enforced – and in Finland, availability for full-time work is required, with no concession for child care – may have increased the effective labour supply and contributed to Finland's exceptionally high rate of full-time female employment. It seems preferable to arrangements where, when one member of a couple is paid a benefit on grounds of unemployment or disability, the other member of the couple can only be covered by a dependent supplement which is paid without any assessment of their labour market status.

Benefit sanctions

33. The frequencies of benefit sanctions for refusal of a job and for failure to participate in an activation plan or ALMPs (particularly in relation to specific requirements for *Under 25s* and for the target group of the LMS reform of 2006) are high in Finland, and they have increased since the 1990s. It is not clear that this high sanction rate indicates effective enforcement. On the one hand, a system of benefit sanctions needs to be in place to achieve compliance with requirements, but on the other hand, a high sanction rate indicates that non-compliance with requirements is common. The high sanction rate might arise because direct referrals are not appropriate to the unemployed jobseeker's circumstances. Direct referrals should probably be focused on people who have an individual action plan and a case manager who can ensure that referrals are appropriate and help clients to comply with requirements, and closely supervise people who return to the register after a sanction.

The duration of Earnings-related Allowances should be cut once the economy begins to recover

34. Although Denmark and Sweden apply intensive activation requirements to earnings-related benefit recipients, earnings-related benefits in these countries are capped at low levels as compared with Finland. Perhaps for this reason, Finland has until now not introduced such strict activation measures for earnings-related benefits. To facilitate intensive activation of the long-term unemployed, Finland could consider (although perhaps only when unemployment again starts to fall) reducing the standard duration of earnings-related benefits to 18 or 12 months, in line with the practice in many other European countries. Alternatively, it might address the situation that Unemployment Funds are managed by their members but the members finance only 5.5% of benefit payments at the margin by their fund, so funds have an incentive to maximise payments. Although the funds do not directly employ placement-service staff or take individual decisions about the labour market eligibility criteria for benefits, most funds are linked to unions which are influential at both local and national level. Management powers could be aligned with the benefit financing structure by bringing the individual funds under a national-level tripartite board, at the same time making participation in the earnings-related benefit system universal and compulsory.

The increased rate of benefit and Change Security

35. Outcomes from recent changes to Earnings-related Allowance benefits should be carefully monitored. The increased rate of benefit for the first 150 days has a clear disincentive effect, and it seems likely to be paid to more people than the redundancy pay schemes which it replaced. The reduction in contribution requirement from 43 weeks to 34 weeks in 2003 has slightly facilitated the use of benefits between repeated fixed-term contracts, which are often with the same public-sector employer.

36. Finland in 2005 initiated early intervention for people who have lost their jobs due to restructuring or closures of firms through a measure known as Change Security. The programme emphasises improving co-operation between Employment Offices and the firm in an effort to place the worker through early intervention. If this is not successful, the redundant worker can receive a higher rate of benefit (employment programme supplement) conditional on participation in an active measure. This provides an incentive for early participation in Labour Market Training. However, there is a high drop-out rate from the scheme. It should be monitored to ensure that its participants are really engaged in training that improves their employment prospects, and that it does not acquire a passive character. Also, the allocation of training resources to this measure and its voluntary nature should not divert attention away from new benefit recipients who opt not to enter it. If their alternative plan is only to draw unemployment benefits, the authorities should apply activation requirements strictly to them.

5. The effectiveness of active labour market programmes***Increase participation in active labour market programmes (ALMPs)***

37. Finland's spending on ALMPs (as a percentage of GDP) is above the OECD average and close to the EU15 average. However, its spending on passive measures is well above the OECD and EU15 averages. As a result, the ratio of active to passive expenditure is relatively low. Since the deep recession in the first half of the 1990s and during the long period of economic upswing, the share of active spending in total spending has risen but it still contrasts with the high ratios in Norway and Sweden. Finland needs to increase rates of participation in ALMPs. In particular, rates of participation by people on earnings-related benefit, in measures other than Labour Market Training, are low and need to be increased. This implies an increase in spending on ALMPs, although it will to a large extent be offset by savings on passive programmes.

Job Alternation Leave as a labour market programme for the crisis

38. Under the Job Alternation Leave scheme an employee with long tenure, in accordance with an agreement made with the employer, can be released for up to a year on sabbatical leave. The employer is obliged to recruit an unemployed jobseeker for the same period. During the leave, employees receive compensation equal to 70% of the wage-related unemployment benefit. There is a rationale for this measure in a situation of high cyclical unemployment when it can be expected that demand for the skills of the unemployed jobseeker will recover. However, once the economic upswing arrives, the sabbatical leave entitlement is likely to reduce the labour supply and total employment, due to the payment of unemployment benefit without an activity requirement. In sectors of the economy where there are labour shortages, the focus should be on placing the unemployed jobseeker into an ordinary job vacancy, not necessarily a temporary position.

Hiring subsidies are more effective in the private sector

39. Private-sector subsidised employment is more likely to be followed by entry to work in the open labour market than public-sector subsidised employment, particularly municipal employment. This is linked to the fact that the target groups are not the same, as employment subsidies in the public sector tend to be directed towards the long-term unemployed, with hiring nearly always on a fixed-term contract.

40. In the early and mid-1990s, subsidies were not effective for several reasons. They were directed towards unemployed people on Earnings-related Allowance, and mainly served to renew their benefit entitlement. Private employers provided subsidised jobs, with temporary contracts, and tended to avoid notifying ordinary job vacancies so that their positions could qualify for a subsidy. Municipalities received state subsidies for hiring the long-term unemployed in ordinary job positions, giving local actors little incentive to place participants in the open labour market. These problems have been addressed progressively by successive reforms:

- Subsidies for private employers were made conditional, after the mid-1990s, on offering a permanent contract;
- In 1997, the contribution requirement for Earnings-related Allowance was increased, so that benefit entitlement could not be renewed only through a subsidised job;
- Between 1998 and 2003, the participant stock in municipal subsidised employment was reduced from 19 000 to 8 000. Over the same period, the participant stock in the Combined Subsidy, which supports the employment of LMS recipients rather than Earnings-related Allowance Recipients, rose from 3 000 to 17 000; and
- Along with the LMS reform of 2006, rates of participation in subsidised jobs (such as on-the-job training and rehabilitative work) were increased for the very-long-term unemployed, partially implementing the principle of an “active period of benefits” (when the unemployed must participate in labour market programmes as a condition for continuing benefit receipt).

41. In 2006, other hiring subsidies were replaced by a new pay subsidy, which can be used by all types of employer including state agencies, municipalities, private sector employers and associations. It is targeted on people with deficiencies in skills or competences, typically the long-term unemployed or disabled. The lower rate of subsidy can act like a hiring subsidy for recipients of Earnings-related Benefit, with the employer paying a wage. An additional part (higher rate) can be paid for those difficult to employ, conditional on an individual assessment of productivity shortfalls that need to be compensated, and on an employer commitment to improve the skills and competences of the subsidised worker through

on-the-job training or otherwise. For participants on LMS, the pay subsidy appears to be similar to the former Combined Subsidy although now, as well as a pay subsidy (paid to the employer) there is an employment subsidy (paid to the participant). In 2007, the pay subsidy for those difficult to employ was used to employ an average of 16 800 people, half of them in the so-called “third sector” and the remainder split between municipalities and the private sector.

42. These reforms removed the perverse incentives from subsidies that had previously distorted the ordinary functioning of the labour market, and they focused the employment subsidies on the groups of unemployed most in need of them, in certain cases tying the subsidies to an employer requirement to provide on-the-job training. However, the current recession is likely to reduce private-sector hiring and increase the size of the long-term unemployed target group, which may renew interest in using employment subsidies to provide income support. Policy-makers will need to maintain the improved orientation and resist any tendency for the unintended uses of subsidies to regain importance.

43. Also in 2007 the process of creating the so-called “intermediate labour market” was launched. This should offer a wider range of subsidised jobs and other programme placements for those who are difficult to employ, and act first and foremost as a pathway to the open labour market. This in principle contrasts with the previous employment in the so-called “third sector”, insofar as the latter tends to supply non-market services and participants tend to get locked into such jobs.

44. Despite the intention that subsidised jobs should increase employability and promote entry to the open labour market, there is a risk that lock-in effects will continue as in the past. So far as possible, participant characteristics and programme outcomes should be precisely recorded to allow performance management with a focus on post-programme outcomes, and not only the current provision of places.

Some other employment subsidies

45. In addition to the subsidies related directly to hiring of the unemployed, Finland provides a general subsidy for the employment of low-paid older workers aged more than 54, and a domestic help credit which encourages employment in household services. These measures help to compensate for a relative lack of labour-intensive jobs in the Finnish labour market: in a context of increasing labour costs, these were the first to become unprofitable. At the same time, this type of measure involves deadweight losses (*i.e.* a large proportion of subsidised workers would have been employed even without the subsidy) so that the net employment effect is rather small relative to their cost.

Social Enterprises

46. Social Enterprises are an intermediate labour market measure supporting the employment of the most disadvantaged unemployed and the disabled in the open market. Social Enterprises operate on a commercial basis (at least 50% of their revenue must come from the business), but the wages of employees hired from the target groups are subsidised. The subsidies paid are somewhat more generous than for ordinary private-sector employers who hire workers from the same target groups, but in return the employers must register and meet certain standards including regular reporting. Advantages of this model are that it creates employment in a variety of sectors and occupations, suited to a wider range of client preferences and needs; such enterprises operate in a competitive environment, which ensures that partly-disabled employees are working where they are most productive; and registration and regular reporting allows surveillance of standards in relation to work conditions, accounting and use of subsidies, etc.

47. Take-up since the enabling legislation was passed in 2004 has been fairly slow. The principle of operation on a commercial basis, which is the attraction of the model, also makes growth dependent on the identification of market niches and limits the extent to which growth can be promoted only by increasing the rate of subsidy.

Training measures

48. Finland spends a higher-than-average share of GDP on training measures. *Labour Market Training* consists of preparatory and vocational Labour Market Training. In the case of adults who already have work experience this is mainly vocational training which provides a formal qualification. Preparatory training is aimed at offering basic job-search skills and helping jobseekers to select suitable vocational training. The average duration of vocational training is five months: it is much less for preparatory training. Participants receive a training allowance equalling their unemployment compensation and an additional daily allowance for maintenance and possibly for accommodation.

49. According to evaluation studies, vocational Labour Market Training increases post-programme employment probabilities, whereas preparatory training is in many cases followed by entry to other labour market measures. As in other countries, a selection process tends to operate so that less-educated youths, older workers and the long-term unemployed are underrepresented among the participants in Labour Market Training. This can be partly offset using approaches such as careful identification of jobseekers suitable for particular types of courses, activity requirements and other measures to increase motivation to participate, and the adaptation of courses to the needs of particular participants and the skill requirements of local employers. The performance management system should appropriately weight positive outcomes achieved for the under-represented groups. It is important to follow the outcomes of training programmes over a number of years, in particular with the view to integrating more disadvantaged groups, as evidence from other countries shows that in some cases the impact increases after a longer period of time.

50. *On-the-job training* for LMS recipients takes place at a workplace, supported by a pay subsidy. Like preparatory Labour Market Training it often leads to participation in another measure rather than moving into employment. It seems to be mainly used for reintroducing long-term LMS recipients to the labour market, and participation has increased substantially since 2001.

51. *Apprenticeships* in Finland are targeted on adults as well as young people. In 2007, only about 10% of apprenticeships were classified as an active labour market policy measure (a measure targeted on unemployment). In this case the employer gets a pay subsidy from the employment office. Apprenticeship training is quite successful in integrating young and adult people in the labour market. It should be promoted through information for employers, vocational guidance and increased referrals of unemployed young jobseekers to apprenticeship opportunities.

52. *Workshops* operate in the marginal area between social and health care services, the education system and working life, and provide intensive individualised guidance to disadvantaged young people, the long-term unemployed and other hard-to-place unemployed people. The follow-up of the participants after completion of the measure is an important element in the concept. They aim at improving social integration and preparing people to participate in other measures or to take up training.

Programmes for particular target groups***People with disabilities***

53. Disability employment policy is a large area in itself and the recent OECD review *Sickness, Disability and Work* makes a number of recommendations. Vocational rehabilitation measures and rehabilitation allowances are organised and financed by the accident and traffic insurance institutions, KELA, the employment pension institution, the earnings-related pension schemes and the Labour Administration. The various rehabilitation benefits and allowances should be merged into a *single* payment, and institutional responsibilities should be streamlined. Better co-operation and information exchange is needed so that PES activities do not come in too late to assist workers with health problems to remain in their jobs or find new jobs.

54. A wide range of vocational rehabilitation measures are organised by the PES: work and training try-outs; coaching for work and introductory visits; rehabilitation and medical examinations and expert consultations as a basis for drawing-up vocational rehabilitation plans; and a subsidy for adaptation of the working environment, which can be granted if the employer needs to adapt work equipment, methods or work conditions to the disability or illness of the jobseeker. In recent years, the disabled have increasingly been offered places in the mainstream ALMPs.

55. Employment service statistics do not distinguish disabled people on an unemployment benefit from those on a disability benefit, but in general disabled people engage relatively little with employment services. This might be related to a lack of mutual-obligation requirements, at least as compared with other Nordic countries, for people on disability benefits. Participation in rehabilitation activities should be a condition for benefit receipt when an improvement in work capacity is likely or a return to work is envisaged. Currently, KELA has only rather limited representation in the LAFOS based on the small number of clients attending, but all the organisations managing disability benefits should be represented based on higher rates of participation by their clients.

Older workers

56. Considerable improvements have been made over the past 15 years in retaining older workers at work (reflected in the sharp increase in employment rates of older workers). This includes efforts in the area of occupational health and age-management strategies developed by companies. Although it is difficult to quantitatively evaluate the impact of national information and awareness-raising programmes, it seems that the inter-ministerial national Programmes (*e.g.* the Veto programmes) have served to make age-management approaches more widespread, in particular among SMEs. Skills shortages (prior to the recession), linked to more rapid population ageing than in most other OECD countries, also encouraged companies to implement age-management approaches and retain older workers.

57. Some progress has also been made in raising the hiring rates of older workers, though they are not very high in comparative terms. Obstacles to the employment of older workers need to be looked at more closely: *e.g.* one strand of arguments has been that employing older workers is more costly for companies as contributions to social insurance system are higher, and occupational health expenditures might be higher. One possibility would be to compensate costs and possible productivity losses by implementing more performance-related pay elements. Furthermore, employment policies could set specific incentives for recruiting older workers. Part-time and flexible working arrangements should be encouraged, although they should not necessarily be subsidised since this can also reduce hours worked among those who would otherwise work full time.

SUMMARY OF MAIN POLICY RECOMMENDATIONS

Strengthen management within the Public Employment Service

- Strengthen the national management of placement services and benefit administration at local level, with regional-level offices retaining responsibility primarily for training procurement;
- Develop a common monitoring system for the LAFOS and provide joint staff training to overcome the differences in institutional culture between employment-office and municipal staff within them; and
- Consider letting municipalities manage LMS benefits and the LAFOS, if they also take responsibility for benefit costs at the margin.

Add to the range of standard employment services

- Introduce guidelines for the minimum scheduling of jobseeker interviews at Employment Offices;
- Undertake case management that involves more frequent attendance, job-search reporting and referrals to vacancies, for some of the short-term unemployed; and
- Shift the staff profile at local offices towards professional counsellors with a case management and placement role.

Improve job-search monitoring and the scope of intensive activation measures

- Ask jobseekers to report their job-search actions;
- Identify client barriers to re-employment and provide specialised assistance earlier in the unemployment spell, with referral to the LAFOS for multi-professional services when appropriate; and
- Establish an individual activation plan, which may include programme participation requirements, for all unemployed before the current threshold of 136 weeks.

Reform unemployment benefits

- Extend the earnings-related benefit system to all workers, bringing the individual Unemployment Funds under national management;
- Once the economy begins to recover, consider reducing the duration of earnings-related benefits to 18 or 12 months;
- Examine the benefit coverage of groups such as the long-term unemployed, older workers, and spouses to ensure that it encourages effective labour supply rather than supporting inactivity;
- Document patterns of repeat use and requalification for Earnings-related Allowance, with a view to discouraging undue usage of fixed-term employment contracts, part-time work, or subsidised jobs in combination with benefits; and
- Replace some benefit sanction decisions by referrals to a case manager, allowing waiver of the sanction in cases of co-operation and exclusion from benefit in cases of ongoing non-availability for work.

Further reduce the use of unemployment benefits for early retirement

- Ensure that people who stay in or take up employment with lower earnings than before do not suffer a reduction in benefit levels, relative to those who become or remain unemployed;
- Push back the age threshold for extending benefits through to full retirement until entitlements for older workers are aligned with those for other groups; and
- Ensure that older workers are included in activation measures such as regular interviews, job-search monitoring and referrals to job vacancies and programmes and benefit sanctions.

SUMMARY OF MAIN POLICY RECOMMENDATIONS (cont.)

Enhance the effectiveness of labour market programmes

Rates of participation in active programmes for Earnings-related Allowance recipients are rather low and need to be increased, so as to start intensive activation earlier in the unemployment spell than at present.

- For the long-term unemployed create a new type of public-sector employment programme which does not pay more than benefit and does not renew benefit entitlements, like “Job Training” in Denmark.

Rates of participation for adults on LMS increased quite rapidly after 2004, since unemployment fell but the number of programme places was maintained.

- To maintain the activation strategy in recession, increase the number of places.

Participant characteristics and programme outcomes should be precisely recorded to allow performance management with a focus on post-programme outcomes, and not only the current provision of places. Programmes should be evaluated in terms of labour market outcomes over a number of years, since evidence from some other countries has shown an increase in the impact over time for training measures, and this is expected in the case of preparatory measures for disadvantaged clients. As regards particular programmes:

- Especially in recession, *alternative referral options* such as short training courses should be multiplied, to maintain minimal levels of activity and contact with jobseekers during long unemployment spells;
- *Labour Market Training* should continue as a high-quality but expensive programme with generally positive impact, but efforts to tackle the selection bias against disadvantaged groups should continue;
- *Job Alternation Leave* has a rationale in the crisis, but should be scaled back as the economy recovers, since the sabbatical leave entitlement that it involves is likely to reduce labour supply;
- The *Social Enterprise* model for subsidised work for groups with reduced productivity is economically sound, and efforts to promote take-up of it should continue.
- *On-the-job training* programmes which provide workplace experience, and *Workshops* which provide individualised guidance for young people, should function as part of the social safety net for disadvantaged but potentially-employable people on assistance yet also be seen as placement measures, evaluated in terms of the employment outcomes they achieve.

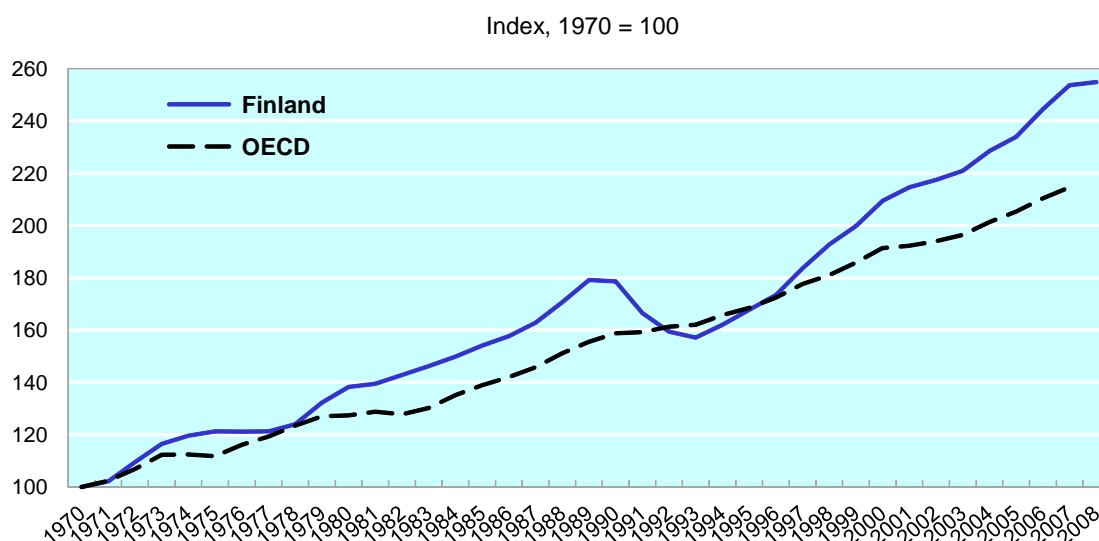
CHAPTER 1

THE BACKGROUND TO ACTIVE LABOUR MARKET POLICIES IN FINLAND

1.1. Introduction

58. Since 1970 the Finnish economy has experienced relatively rapid economic growth on average, interrupted briefly by a deep recession in the first half of the 1990s (see Figure 1.1). The recession is usually attributed to the collapse of exports to the Soviet Union, the fall in the terms of trade and high interest rates (Koskela and Uusitalo, 2004; and Gorodnichenko *et al.*, 2009).¹ Recession was accentuated by the fact that it followed a period of rapid growth leading to an overheating of the economy. Furthermore, deregulation of the financial market paved the way for an over-indebtedness of the private sector (Honkapohja *et al.*, 2009). As the economy recovered in the mid-1990s, Finland underwent a substantial structural change in its economic structure and GDP growth resumed its rapid trend until mid-2007, although it is expected to be negative in 2009 (OECD, 2009a).

Figure 1.1. **GDP per capita, Finland and OECD, 1970-2008**



Source: OECD National Accounts database for Gross Domestic Product per capita, USD, constant prices, 2000 PPPs.

59. During the recession of the early 1990s, the unemployment rate rose dramatically and total civilian employment declined sharply, falling by 18% between 1990 and 1994. Subsequently, total employment grew steadily and faster than the OECD average, and by 2007 it had nearly regained its 1990 level of 2.5 million. The rise in employment was concentrated in business services, manufacturing, and in particular in the electronics industry and education and social services. Labour

1. Although Chapter 4 outlines how labour market policies probably contributed to the exceptional depth of the recession and the persistence of high unemployment.

shortages in specific occupations emerged as a significant problem prior to the current downturn. Future challenges for labour market policies include tackling long-term unemployment and structural unemployment engendered by the recession, and adapting to the rapid ageing of the Finnish workforce and expected skills shortages once the economy recovers.

1.2. Demography, immigration and education

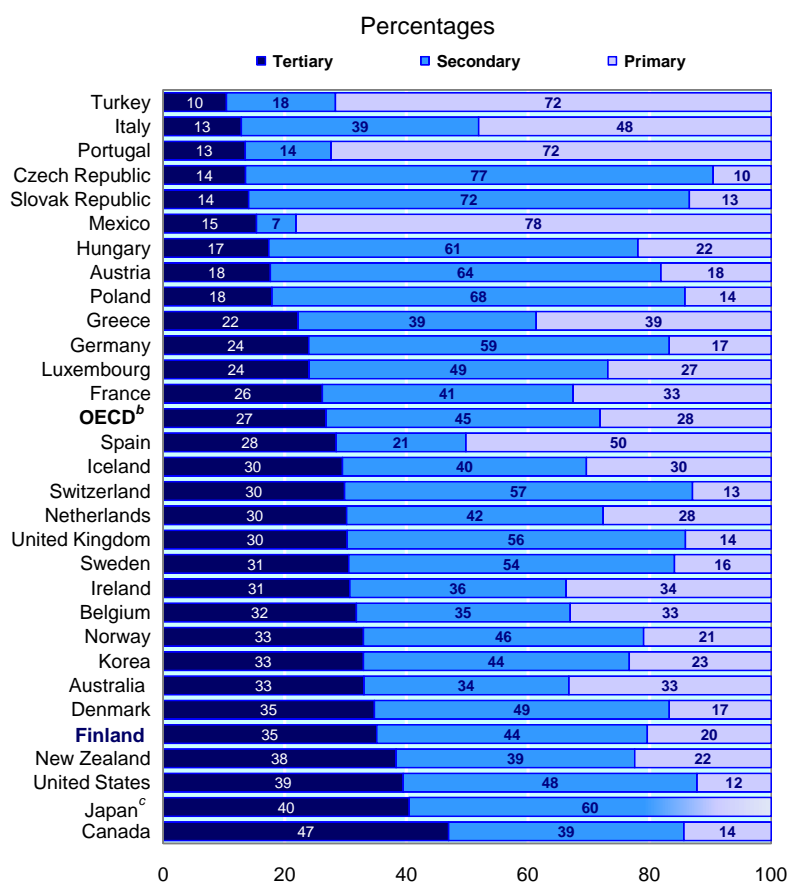
60. In 2008, Finland had about 5.3 million inhabitants. Ageing of the population represents a major challenge, since the proportion of the population aged 65 years or more is projected to increase from 15% in 2000 to 25% by 2025 (a faster rise than in most other OECD countries), and to 28% by 2050 (OECD, 2004a).

61. Finland is one of the most ethnically homogeneous countries in the OECD. Immigration has been low compared with most other European countries. In recent years, new immigrants came primarily from Russia and Estonia. The share of foreigners in the workforce is only about 3% (Prime Minister's Office, 2007a). Most of them have a low educational level. Among the working-age population (15-64), those having migrated from the former Soviet Union represent the largest group of foreign-born people; the second largest group are immigrants from Sweden, among them many Finnish return migrants.²

62. The educational attainment of the Finnish adult population is above the OECD average (Figure 1.2) and it is increasing more rapidly (OECD, 2004b). In 2006, 63% of those aged 55-64 and 90% of those aged 25-34 had at least secondary education (OECD, 2008a, Table A1.2a). Moreover, educational outcomes at age 15, as assessed by the OECD PISA programme, are close to the best in the world: Finland in 2006 was in the top rank in science and second in reading and mathematics among nearly 60 participating countries (OECD, 2007a). Nevertheless, in the light of present and projected skill shortages, the vocational and education system shows two weaknesses: one is the length of study and late age of entry to full-time employment, and the other, as in many other countries, is a skills mismatch, since the vocational choices made by young people often do not correspond to labour market demands.

63. Life-long learning has been more widely implemented in Finland than in most other countries, in particular at company level. In 2004, roughly a fourth of adults participated in training and education, ranking Finland third among EU25 countries, after Sweden and Denmark (Kiander *et al.*, 2006).

2. In addition, there is a large Swedish-speaking community living in Southern and Western parts of Finland. The population share of this group has been declining for many years.

Figure 1.2. Educational attainment in OECD countries,^a 2006

a) Persons aged 25-64.

b) Unweighted average.

c) For Japan, persons who have completed *Primary* are combined with persons who have completed *Secondary*.

Source: OECD Education database.

1.3. Labour market trends

General labour market performance

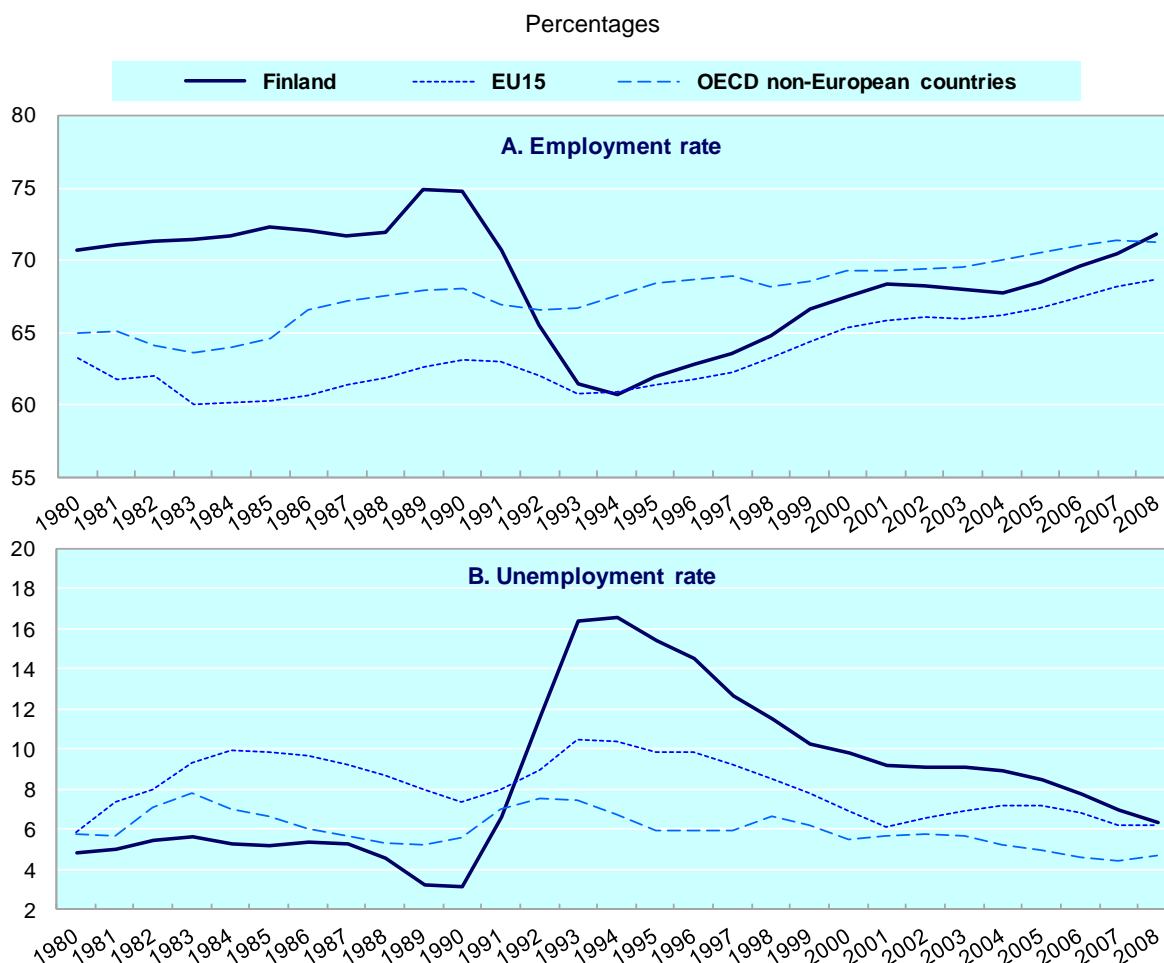
Labour market participation

64. From its recession trough of 60.7% in 1994, Finland's employment rate increased steadily, reaching 72.5% in 2008 (Figure 1.3, Panel A). This was well above the EU15 average and roughly in line with the average level for OECD non-European countries whereas, by contrast, the unemployment rate at 6.4% was still close to the EU15 average and well above that of OECD non-European countries. The labour force participation rate declined from 76.5% in 1990 to 72.7% in 1994, and returned to 76.7% in 2008 (OECD, 2009b), however the 2008 employment rate was still slightly below the peak of 1990 (see Figure 1.3).³ After 1994, the participation rates of both younger and older workers rose substantially.⁴

3. Note that data in the *OECD Labour Force Statistics database* differ from those published in MEE (2009a).

4. Participation rates of older workers (55-64 years of age) rose from 41.3% in 1994 to 59.7% in 2008 and participation rates of young people (15-24 years of age) increased from 46.3% to 58.3% in 2008.

Figure 1.3. **Employment and unemployment rates,^a Finland, Europe^b and OECD non-european countries,^c 1980-2008^d**



- a) Employed as a percentage of the population aged 15-64 and unemployed as a percentage of the labour force in the same age group.
- b) Unweighted average of EU15 countries.
- c) Unweighted average of Australia, Canada, Japan, Korea, New Zealand (from 1986 onwards), and the United States.
- d) For a small number of countries, time-series data, particularly in the 1980s, are incomplete.

Source: OECD Labour Force Statistics database.

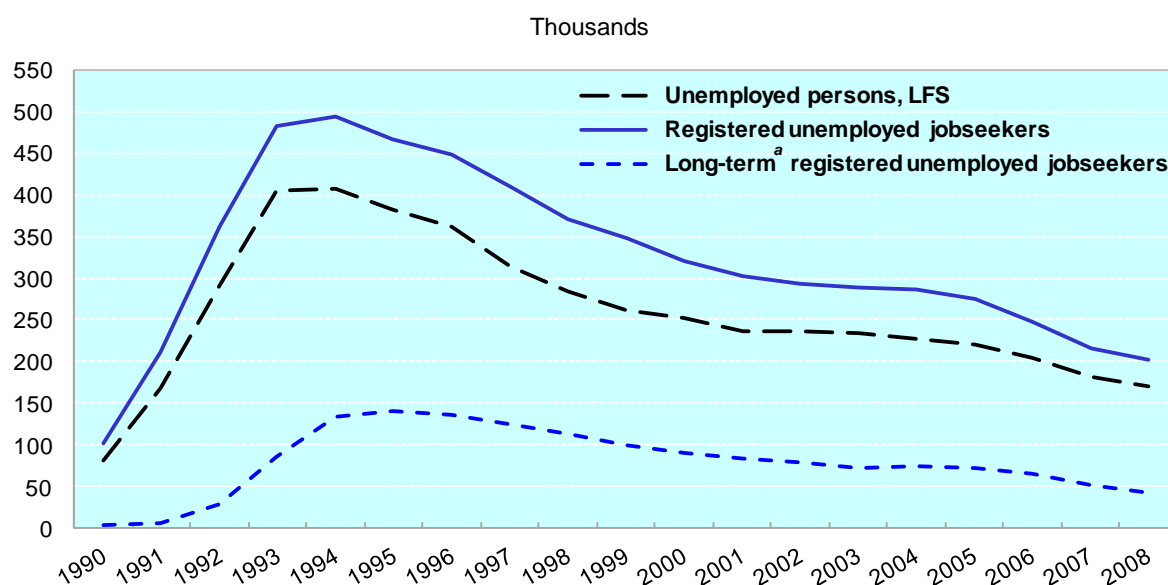
Unemployment

65. Total unemployment peaked in 1994 at a rate of 16.7% – a rise of 14 percentage points since 1990, the greatest post-war increase in an OECD country within such a short time frame.⁵ After 1994, the unemployment rate fell continuously although at its trough (in annual average data) of 6.4% in 2008, it was still well above the levels of the 1980s (Figure 1.3, Panel B). Thus recovery from high unemployment took longer than in other OECD countries, and in 2008 structural unemployment was still a major challenge. During the ongoing global downturn, Finland is experiencing significant job losses.

5. This refers to labour force survey data, according to which the rise in the number unemployed was about one quarter smaller than the fall in the numbers employed.

66. Figure 1.4 shows the continuously declining trend in unemployment since its peak in 1994. In 2008, the number of unemployed jobseekers registered with Employment Offices (203 800) remained higher than labour force survey unemployment (172 000). People who are registered as unemployed can be classified in the labour force survey as out of the labour force if they report no recent job-search activity, or can be classified as employed if they report working a small number of hours, which may be compatible with their registration status.

Figure 1.4. **Registered unemployed and LFS unemployed, Finland, 1990-2008**



LFS: Labour Force Survey.

a) Registered unemployed jobseekers for more than one year.

Source: MEE (2009a), *Työpoliittinen aikakauskirja* (Finnish Labour Review), Vol. 2/2009.

67. The number of long-term registered unemployed decreased substantially from its peak of 140 200 in 1995 to 43 600 in 2008 (see Figure 1.4). According to Labour Force Survey (LFS) data, in 2008 the share of long-term unemployed among all unemployed in Finland was significantly below the EU15 average (18.2% versus 38.6%). Nevertheless, according to Employment Office statistics, more than half of the unemployed jobseekers were difficult to place, *i.e.* in categories such as long-term unemployed or repeatedly unemployed, disabled, older people and immigrants, and nearly half of the long-term unemployed had been unemployed for more than two years (MEE, 2008; see also Chapter 3).⁶

68. In 2007, according to LFS statistics there were also 89 000 discouraged unemployed, *i.e.* people who were not part of the labour force, as they did not look actively for a job over the last four weeks, but who were otherwise available for work (MEE, 2008). This is one population group that might be brought into work through activation measures, especially since they are often unemployment benefit recipients (see Chapter 4).

6. In 2007, on average 124 800 unemployed persons were classified as difficult to employ.

69. In 2007, about 40% of all unemployed jobseekers had only a basic educational level (MEE, 2008). As in other OECD countries, differences in employment rates by educational level are large, suggesting that levels of hidden unemployment among those with low educational attainment may be high.

70. The regional disparities in labour market outcomes are large, and have increased over time because recovery from the early 1990s recession was quite uneven across regions. In 2006, regional unemployment rates ranged from 5.4% to 17.1%. Thus, regional disparities are markedly higher in Finland than in Norway and Sweden (OECD, 2008b), and mobility has been too low to offset them.⁷ Centralised wage bargaining may have reinforced regional disparities in economic dynamics and employment growth. Barriers to mobility between regions relate, *inter alia*, to the housing market. As the regional variation of the salaries of a given occupational group and of average net incomes is low, high housing costs in regions with the lowest unemployment rates are an obstacle to regional mobility (Prime Minister's Office, 2007a).

Employment dynamics and employment conditions

71. Changing jobs is more common in Finland than on EU average (Eurobarometer, 2006) and the rate of reallocation of workers during 2000 and 2005 was among the highest third among 22 OECD countries (OECD, 2009b).⁸ However, these dynamics may partly reflect a relatively high rate of job separation associated with fixed-term contracts and difficulties in finding a permanent employment.

72. Between 1997 and 2006, there was a gradual increase in temporary employment, although it has stagnated for men, linked to the fact that fixed-term employment is more common in the public sector – where more women work – than in the private sector. In 2007, the share of temporary employees in the total was 16% in Finland, as against an EU average of 14.8% and an OECD average of 14.6%. The high incidence of temporary employment results from a variety of factors: maternity and parental leave, summer jobs for students, flexibility needs of companies but also from rotation related to certain ALMPs, in particular the job-alternation scheme (a job-sharing scheme, see Chapter 5 for more details) and employment subsidies in the public sector. In addition to supply-side factors, demand-side and policy-induced factors are important. High temporary employment in the public sector is linked to a strategy of minimising financial risks in the public sector. In the context of increasing labour shortages, municipalities were taking some steps to reduce their excessive use of temporary employment. For example, hospitals could increasingly hire substitutes on open-ended rather than on temporary contracts, and rotate these employees within the hospital.

73. Part-time employment is not as common in Finland as in other Northern European countries. In 2007, the share of part-time employment in total employment was only 11.5% as compared to 18.3% in EU15 and an OECD average of 15.5%.⁹ Since part-time employment among young people, including students, is relatively widespread, this implies that it is particularly low among adults. The part-time rate is comparatively low among women (15.1% in Finland as compared with an OECD average of 25.3%), despite their comparatively high labour market participation rate.

7. Although over the recent past, about 5% of the population have changed their home community each year.

8. The number of different employers in a person's working life was higher only in Denmark, the United Kingdom and Sweden.

9. For comparison, the proportion of part-time employment reached a level of 36.1% in the Netherlands, 23.3% in the United Kingdom, 22.2% in Germany and 20.4% in Norway. By contrast, part-time employment is low in Southern European countries.

Addressing labour shortages

74. Skills shortages resulting in recruitment problems had become a serious policy concern in the years leading up to the current downturn. In 2006, recruitment problems were reported mainly in the technology and the construction industries, real estate and social and health services (MoL, 2007a; and Prime Minister's Office, 2007a). According to a survey conducted by the Confederation of Finnish Industries, lack of work experience and of occupational training were the main recruitment problems.¹⁰ Future skills shortages are difficult to predict, but there are indications that the shortage of employees with secondary-level vocational education might turn into a serious problem once a sustained recovery gets under way (Räisänen, 2006).

75. As a reaction to this, the government as well as the Employers Confederation have adopted a strategy to promote work-related immigration (MoL, 2006a). Key measures in attracting foreign labour include easier granting of work and residence permits, increasing contractual co-operation with countries of origin and improving the system of recognising skills obtained abroad, as well as measures promoting multi-culturalism and combating discrimination. Although this strategy looks attractive from a short-term perspective, the efforts needed to attract work-related immigrants to Finland as opposed to other OECD countries who are also seeking to recruit foreign workers from the same countries of origin, and the costs of integrating them, should not be underestimated. The gap between the employment rates of native and foreign-born workers is relatively large in Finland (OECD, 2008c, Chart I.11). Despite the reported skills shortage, the employment rates of foreign-born people with tertiary education reach only 70% of the level of native-born and their unemployment rate is four times as high as that of highly educated native-born people (OECD, 2008d). Thus, there is probably a problem of mismatch and of underutilisation of human capital.

76. In addition, the government is considering how to make better use of domestic labour resources. In the view of the government, two groups where potential labour reserves exist are disability pension recipients, since recent studies show that only a minority of them suffers from total inability to work; and students, as their average age when completing tertiary education is higher than in other countries. Also, the employment rates of older workers aged above 55 could still be increased (Prime Minister's Office, 2007a). Other groups for which employment rates might be increased are immigrants (as mentioned above), and women, as the employment rate of women with children less than three years old is much lower than the corresponding rate of mothers with older children (OECD, 2007b).¹¹ The Prime Minister's Office (2007a) suggests that it should be easier to combine Parental and Child Home Care Allowances with part-time work. Thus, increased possibilities of working part-time would increase the employment rates of women with young children, although they still would get some income-replacement benefit. This publication also addresses the issue of the low part-time employment among older workers, as compared with other Nordic countries.

10. Survey respondents also reported that in 10% of the cases salaries and working time represented an obstacle to recruitment, and in 3% of cases unemployment benefits and other social security benefits were the main barrier.

11. In contrast to Denmark and Sweden where employment rates of mothers with young children (less than 2 years) are above 70%, the employment rates of women with children younger than 2 years are only 52% and close to the OECD average of 51%, while employment rates of women with children between 3 and 5 years are well above the OECD average (81% and 61%, respectively: see OECD, 2007b).

Addressing the economic crisis

77. In the context of the current global economic crisis, unemployment is projected to increase further and could reach 10.8% in 2010. In order to cope with the economic crisis, the government agreed at the end of January 2009 on a stimulus package of EUR 2 billion.¹² The package consists of demand-side and supply-side measures including: *i*) support for infrastructure investment, housing production and repairs; *ii*) increased training and employment measures; and *iii*) the removal of the employers' contribution to the national pension system. These measures were expected to increase employment by 18 000 directly and by 25 000 including indirect effects.¹³ The package also promotes loans to small and medium-sized enterprises (SMEs), which should have positive effects on the labour market.

1.4. Labour market situation of specific groups*Youth unemployment, transition patterns and educational and vocational policies*

78. In 2008, the average number of unemployed jobseekers under the age of 25 registered with the Employment Offices was 21 700, representing 10.6% of all registered unemployed (MEE, 2009a). In labour force survey data, the unemployment rate of 15-24-year olds fell from a peak of 31.2% in 1994 to 15.7% in 2008, reacting strongly to the business cycle (*OECD Labour Force Statistics database*).

79. As in many other OECD countries, Finnish young people experience relatively short unemployment spells and high labour turnover. But the period of transition from school to stable work is relatively long. In 2004, the job-hiring rate of younger workers¹⁴ was the highest among 22 OECD countries, but the reverse of the coin was a very high rate of job separations.¹⁵ This reflects the high share of temporary contracts among young people, and in particular involuntarily temporary work (Quintini and Martin, 2006; and Quintini *et al.*, 2007).

80. Rates of early school leaving in Finland have been below the EU25 average (Walther and Pohl, 2005).¹⁶ Nevertheless, MSAH (2006a) sets the reduction of school drop-outs as a strategic target. Measures that had already been implemented to achieve this goal included educational guidance for students, in particular in the early stage of studies, and development projects aiming to reduce drop-out rates in vocational schools.

81. The vocational training and education system is a very important feature of the Finnish youth labour market, because training is mainly school-based. Thus, young people have little contact with employers and little work experience when looking for a first job. This may also explain the

12. The fiscal stimulus impact, at 1.7% of GDP is relatively large compared with other European countries (OECD, 2009b, Figure 1.3). A large part of the measures concern taxes. However, the discretionary additional spending on active labour market programmes as a response to the current economic downturn is amongst the lowest in the OECD area (OECD, 2009b, Figure 1.18).

13. Information provided in response to an OECD questionnaire.

14. Percentage of all youth employed with job tenures less than 1 year.

15. This rate was above 50% in Finland, roughly 30% in Spain and from 20% to 30% in Belgium, Poland, France, Iceland and Italy (calculations based on the European Labour Force Survey).

16. In 2004, 9.6% of students in basic vocational education gave up their studies completely (MSAH, 2006a).

preference of employers for temporary contracts for labour market entry of young people, as they may perceive the risk of employing a young person with no work experience as too high. Among those enrolling in upper-secondary education in 2007, only 11% chose a combined school and work-based programme (OECD, 2009c).¹⁷ In those OECD countries with a strong dual system, this share ranges between 30% and 50%.¹⁸ In recent years, a move towards including more practical experience in training can be observed. Since 2001, for example, on-the-job learning has been part of all basic vocational education (MoL, 2007a). As an incentive, on-the-job learning generates credits which can be included in the credit system of vocational training. It is expected that this should increase the link with working life during studies and contribute to reducing drop-out rates.

Older workers

82. The unemployment rate for workers aged 55-64 fell from roughly 20% in the mid-1990s to 5.7% in 2008, but long-term unemployment among older workers remains a key problem. In 2007, nearly three-quarters of the long-term unemployed were aged over 50 (MEE, 2008). This fact is related to the so-called “unemployment tunnel” in the benefit system.¹⁹

83. Nevertheless, after the deep recession of the early 1990s the employment rates of older workers grew faster than those of other age groups. Several factors led to this increase: *i*) sustained high growth rates; *ii*) reforms of the pension and disability benefit systems; *iii*) labour market reforms; *iv*) the implementation of the Finnish National Programmes to change the behaviour of employees and employers, and to enhance the “workability” of older workers; *v*) a cohort effect as the baby-boom generation, which had relatively high employment rates, entered the older age range; and *vi*) the changing educational background of older workers. In 2008, the employment rate of older workers aged 50-59 was well above EU15 and OECD averages, but the employment rate of workers in the age bracket 60-64 was slightly below the OECD average (although above EU15 average) (Table 1.1). The effective labour market exit age of just over 61 for both men and women is still lower than in most other countries in the table.

84. In terms of the hiring rate of older workers (aged 50-64), Finland had the third highest among the eight countries shown in Table 1.1.²⁰ However, for those who were previously unemployed (rather than job changers), the prospects of finding a new job were comparatively poor for older workers in Finland.²¹ Thus, labour market re-entry for older workers is still a major issue.

17. This share was comparable to the role of combined training in France and Norway.

18. For instance Austria (33%), Denmark (48%), Germany (45%), the Czech Republic (35.5%), the Slovak Republic (32%) and Switzerland (58%).

19. The “unemployment tunnel” refers to the extension of unemployment benefit to the statutory retirement age for people who enter unemployment after a certain age (previously the tunnel started at the age of 53 years and 1 month; following reforms in 1997 and 2007, it now starts at the age of 57 years and 1 month).

20. The hiring rate for older workers is roughly half the rate for prime-age workers (aged 25-49) measured in the same way (OECD, 2006).

21. See OECD (2006): data refer to 2004.

Table 1.1. **Employment rates, average exit age and hiring rates of older workers, selected OECD countries, 2008**

Percentages and years

| | E/P ratio 50-54-year olds | E/P ratio 55-59-year olds | E/P ratio 60-64-year olds | Effective exit age men ^a | Effective exit age women ^a | Hiring rates 50-64-year olds ^b |
|-------------------------|------------------------------|------------------------------|------------------------------|--|--|--|
| Denmark | 85.5 | 80.2 | 36.1 | 65.2 | 61.8 | 12.4 |
| Finland | 83.3 | 70.4 | 41.0 | 61.4 | 61.2 | 8.8 |
| France | 80.6 | 56.4 | 16.4 | 58.9 | 59.3 | 4.9 |
| Germany | 79.3 | 68.8 | 35.1 | 61.8 | 61.0 | 6.2 |
| Ireland | 72.8 | 60.6 | 46.1 | 65.0 | 64.7 | 8.3 |
| Norway | 84.3 | 78.9 | 59.3 | 65.3 | 64.3 | 6.8 |
| Sweden | 85.3 | 80.7 | 60.4 | 65.8 | 63.1 | 8.1 |
| Switzerland | 86.1 | 81.3 | 54.6 | 66.4 | 64.3 | 5.4 |
| United Kingdom | 80.1 | 70.3 | 45.9 | 63.8 | 61.9 | 8.2 |
| United States | 77.0 | 70.3 | 52.1 | 65.3 | 64.2 | 10.1 |
| EU15^c | 76.7 | 61.4 | 31.6 | .. | .. | .. |
| OECD^c | 74.2 | 63.6 | 41.8 | .. | .. | .. |

E/P: Employment to population ratio.

.. Data not available.

a) Effective exit age over the five-year period 2003-08, except for Denmark for which data refer to 2002-07.

b) Data for 2007, except for the United States where data refer to 2008. Hiring rates for 50-64-year olds refer to the percentage of employees aged 50-64 with job tenure of less than one year.

c) Weighted averages.

Source: Secretariat estimates using national labour force survey data for effective exit age; *OECD Labour Force Statistics database* for E/P ratios; and Secretariat calculations based on Eurostat, European Union Labour Force Survey for European countries, and US Department of Labor, Bureau of Labor Statistics, Current Population Survey, Displaced workers/Job tenure Supplement for the United States for hiring rates.

Persons with disabilities

85. In 2007, Finland had one of the highest shares of disability benefit recipients in the working-age population (20-64), below the shares in Hungary, Norway and Sweden but above the shares in the 23 other OECD countries for which data are available (OECD, 2009d).²² Coupled with high reciprocity rates for unemployment benefits and other benefits, Finland in 2004 still had the highest working-age income-replacement benefit reciprocity rate among the 16 countries for which estimates were available (see Chapter 4).

86. Data in Carcillo and Grubb (2006) suggest a trade-off between unemployment benefits, incapacity or disability benefits and social assistance and/or lone-parent benefits. For example in Germany in the 1990s a relatively low and stable rate of disability benefit reciprocity was associated with a strong increase in the number of unemployed. By contrast, in the United Kingdom a decline in the number of unemployed was associated with a strong increase in disability benefit reciprocity.

87. It is worrying that the risk of young people aged between 20 and 24 years to enter the disability pension scheme has increased between 2003 and 2006 (OECD, 2008e). Inflows have also increased for older workers, possibly linked to the reforms of the Finnish pension and unemployment benefit system which limit the use of early retirement (Uusitalo, 2003). Thus, the reduction of inflows into disability remains a major issue.

22. According to the alternative estimates in Table 4.1 (see Chapter 4), Finland's incapacity benefit reciprocity rate (data include sickness as well as disability benefit, and incorporate other technical differences) in 2004 was lower than in Denmark, the Netherlands, Sweden, and the United States, but higher than that in the 11 other countries included.

1.5. Role of social policies, the social partners and the local level

Social policies and economic restructuring

88. Social policies have been important for increasing the employment rates of women over the last decade (*e.g.* provision of child-care facilities). High employment rates of women have been made possible by externalising typical homework including child care, as well as the structural trend towards a service economy.

89. In September 2002, the social partners reached an agreement on extensive reforms of the statutory earnings-related pension scheme. One of the most important measures was the replacement of the standard retirement age of 65 by a flexible retirement age ranging from 62 to 68. It was also decided that pension entitlements should no longer be calculated on the basis of income from the last ten years of each employment contract, but instead be based on lifetime earnings. Finally, it was decided to abolish the present pension ceiling of 60% of highest earnings and to take changes in life expectancy into account when calculating pension entitlements. The main elements of this reform were implemented in 2005 (OECD, 2004a). According to different estimates, the pension reform of 2005 should raise the effective retirement age eventually by 0.7 to 2 years (Uusitalo, 2007).

90. Although age-earnings profiles in Finland tend to be less steep than in many other OECD countries, the structure of employer social security contributions tends to make employment of older workers more expensive. Social security contributions paid by employers increase both with the age of the worker and the size of the company. For a firm with 50 employees, the contribution rate ranges between 15% and 26% depending on the employee's age (OECD, 2004a). Furthermore, there is a system of experience-rating of the employer's contribution for larger firms that relates directly to the incidence of job loss in each company as a result of disability or layoffs. And since the use of these schemes tends to rise with age, a company's contributions will tend to rise in line with the average age of its work force.²³ In practice, large companies may need to pay up to 80% of the disability and unemployment pension until the person is transferred to an old-age pension at the age of 65. This may dissuade large companies from recruiting older workers. But at the same time, these rules may have over the last years helped to retain older workers at work and encouraged employers to limit inflows into sickness and in particular into long-term sick leave. In this respect, the Finnish approach differs from that of other Nordic countries like Norway where the financial burden, and the responsibility for work-related measures in relation to sickness and disability, rests with the State.²⁴

The role of government and national planning

91. Finland's administration has been described as being traditionally highly centralised (Temmes and Melkas, 2001), but this characterisation is not applicable to placement services or benefit administration. Municipalities have retained a great deal of autonomy, and are responsible for providing the majority of welfare state services. There is no elected regional government. The regional organisation of the country is marked by both a top-down and a bottom-up system: on the one hand, the municipalities govern policies of the 19 Regional Councils created in 1993²⁵ (Temmes and Melkas,

23. Unemployment Pensions are paid to the unemployed workers aged 60 years and over.

24. However, in Norway employer responsibility has increased through the requirement to create individual follow-up plans with the sick employee at six weeks, and for the employer and the sick employee to meet at three months, even if the evidence suggests that this responsibility is often not enforced in practice (Duell *et al.*, 2009).

25. There are 19 Regional Councils and Åland. Finland's Regional Councils are statutory joint municipal authorities operating according to the principles of local self-government. The Councils operate as

2001), and on the other hand, three ministries – the Ministry of Labour, the Ministry of Trade and Industry and the Ministry of Agriculture and Forestry – set up 15 Employment and Economic Development (T&E) Centres at regional level in 1997. Other ministries, including the Ministry of Social Affairs and Health and the Ministry of Education, have their own regional entities.²⁶

The role of social partners

92. The Finnish industrial relations system is characterised by strong social partners, centralised bargaining and a tripartite system for labour market regulation. Trade union density,²⁷ as well as the organisation rate of employers, range amongst the highest in Europe (EFILWC, 2007). Widespread union membership is supported by the tax-deductibility of union fees and the system of unemployment benefit payment through union-based funds (Kiander, 2004).

93. Collective bargaining coverage is among the highest in Europe. In 2002, about 90% of the workers had their wages and working conditions regulated by collective agreements (EFILWC, 2007). Linked to centralised wage bargaining, strong trade unions, and high collective bargaining coverage wages are highly compressed. Although wage compression declined somewhat between 1997 and 2007, it remains still far above OECD average.²⁸ In general, a compressed wage structure is favourable for the development of high-productivity sectors but it reduces at the same time the incentive to create or maintain employment in the low-productivity sectors. In 2008, the level of the overall summary index of employment protection legislation²⁹ for Finland ranked in the middle of 28 OECD countries (Venn, 2009).

regional development and regional planning authorities and are thus the units in charge of regional planning and looking after regional interests. The Regional Councils are the authorities responsible for regional development under the Regional Development Act. The Council draws up plans and programmes in co-operation with State and local government and with businesses and other organisations within the region. Regional policy can be implemented in different ways in different regions on the basis of these programmes (www.reg.fi).

26. The regional structure differs between the ministries, as in contrast to the organisation of the Ministry of Employment and the Economy which operates through 15 T&E Centres, the Ministry of Education and the Ministry of Social Affairs and Health operate through the five (or six, including Åland) State Provincial Offices and regional and local service delivery units. The Social Insurance Institution operates through five regional offices and over 260 local offices.
27. Trade-union membership reached 80% in the years 1993-96, before falling to a still-high level of 70% more recently (www.oecd.org/els/employment – *Online OECD Employment database* – Union members and employees).
28. The ratio of the 9th to the 1st earnings deciles amounted to 2.55 in 2007, as compared with the OECD average of 3.3 (OECD, 2009b). Note that this ratio fell from 2.5 in 1985-89 to 2.3 in 1993-97 and then rose again (OECD, 2004c, Table 3.2).
29. This index, calculated by the OECD, is based on the assessment of: *i*) the strictness of the protection of permanent workers against (individual) dismissal; *ii*) specific requirements for collective dismissal; and *iii*) the level of regulation on temporary forms of employment.

1.6. History of the Public Employment Service (PES), recent reforms and patterns of labour market spending

History of the PES and recent reforms

94. Historically, municipalities have played an important role in delivering employment policies. Municipal self-governance dates back to the 19th century. The State financing of public employment services delivered by municipalities started in 1903.³⁰ Central government took over responsibility as part of the 1959 Employment Service Act. In 1973, the separate district (local) employment offices that had been handling placement, employment subsidies, vocational guidance and income maintenance were combined. In 1985, responsibility for the payment of unemployment benefits was transferred back to the Social Insurance Institution (KELA) and the union insurance funds, although the Employment Offices retained responsibility for the certification of benefit eligibility on labour market grounds (OECD, 1996a).

95. More recent reforms directed towards the modernisation of the Finnish PES started in 1996-98. The reforms described by Räisänen and Skog (1998) introduced a regular schedule for interviews with jobseekers and a new emphasis on promoting independent job search. Evaluations and a Peer Review in 1999 led to a “second wave” of reforms implemented since 2002 (Räisänen, 2004). During 2004 and 2006, a reform of the PES was implemented, by setting up: *i*) Job-Seeking Centres in order to boost efficiency and effectiveness in the first phase of job search by improving the availability of information and by helping people to find a job by themselves; and *ii*) Labour Force Service Centres (LAFOS) for the difficult-to-place unemployed, jointly staffed by municipalities and the PES. In 2009 and 2010 no major changes in the institutional structure of the PES are expected, although a number of reforms of labour market and social security programmes are being implemented and are under consideration (Box 1.1).

Box 1.1. Policy changes in 2009 and 2010

Major reforms of the social security system are in the process of being decided. A special committee – the SATA-committee – was set up to formulate proposals. These proposals were submitted in January 2009 and the legislative process in MEE and in the Ministry of Social Affairs and Health is still under way in autumn 2009. With regard to activation strategies the proposed reforms aim at enhancing job search and at shortening unemployment spells, and the following three measures are of particular importance:

- Tightening of timetable for drawing up the jobseeker’s job-search plan. During the first two weeks of the unemployment period the employment possibilities for the jobseeker will be assessed. After six months of unsuccessful job search, the job-search plan has to be reassessed. Re-assessment should take place regularly as long as the unemployment lasts and the follow-up of the job-search plan will be reinforced;
- The financial incentives for unemployed to participate in active measures will be increased (“active benefits”); and
- A new design for financial support during participation in a training measure was proposed. The existing system, which distinguishes between self-organised training for the unemployed (allowed under specific conditions) and participation in Labour Market Training organised by the employment services, will be reformed by introducing a single form of financial support. This will give unemployed people more freedom to choose the type of training.

In July 2009 it was decided to extend the group of jobseekers qualifying for the Change Security system (an early intervention for workers dismissed in the context of industrial restructuring, see Chapter 3 for more details). Workers with fixed-term contracts will now qualify if they have been employed for a minimum of five years during the last seven years.

Source: Information provided by the national authorities.

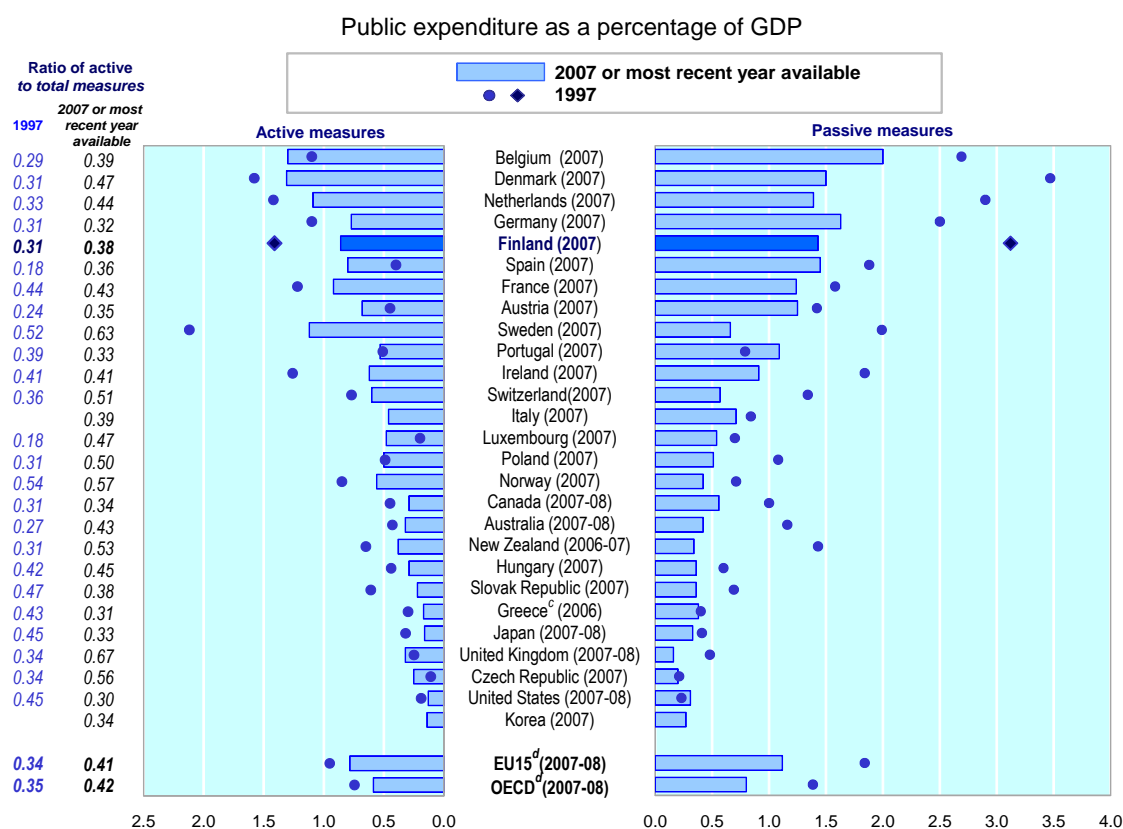
30. The State compensated the cities for approximately half of the costs for the arranged work.

96. In order to respond to employers' increasing recruitment problems, which became evident in 2006, a reform of the service model of the PES was implemented, with a focus on adult education and life-long learning. An effort was made to direct publicly-funded adult education at groups who are under-represented in adult education, such as those with a low standard of basic education and older workers (MoL, 2007a).

Patterns of labour market spending

97. Figure 1.5 shows patterns of labour market spending in OECD countries. In terms of spending on active measures, Finland's spending in percentage of GDP is above the OECD average and close to the EU15 average. However, spending on passive measures is well above the OECD and EU15 averages.

Figure 1.5. Active and passive labour market measures^a in OECD countries,^b 2007 versus 1997



Countries are ranked in decreasing order of the total of both active and passive measures.

- a) Active measures refer to Categories 1-7, passive measures to Categories 8-9 of the *OECD/Eurostat Labour Market Programme database*.
- b) Iceland, Mexico and Turkey are excluded.
- c) Active measures are calculated as the sum of Categories 1.1 and 2-7.
- d) Unweighted averages for countries where both active and passive measures are shown, i.e. except Italy for EU15, Italy, Korea and Mexico for OECD, respectively.

Source: *OECD/Eurostat Labour Market Programme database*. For further country notes, see OECD (2009b), *OECD Employment Outlook: Tackling the Jobs Crisis*, Statistical Annex, Table J.

98. Although some improvement has occurred, since with declining unemployment the ratio of active measures to passive measures has increased over the past decade, spending on passive measures is still far higher than spending on active measures. In this respect, Finland stands apart from Denmark, Norway and Sweden, where active measures are more strongly emphasised.

CHAPTER 2

INSTITUTIONAL ORGANISATION

2.1. Introduction

99. This chapter provides an overview of the institutions in charge of the design and implementation of employment policies in Finland and the main interactions between the key actors. Section 2.2 describes the key actors and their specific roles, while Section 2.3 analyses the functioning of the Public Employment Service (PES), including benefit administration and placement and guidance for different client groups. Section 2.4 looks at the financial and human resources of the PES.

2.2. Actors in labour market policy

100. The main actors in employment policies are the Ministry of Employment and the Economy (MEE) (which incorporates the former Ministry of Labour), the Ministry of Social Affairs and Health, the Ministry of Education, the municipalities, the Social Insurance Institution (KELA) and the Unemployment Funds. Local Employment Offices, called “Employment and Economic Development Offices” since January 2009,³¹ are financed by the MEE but have considerable autonomy. The social partners participate mainly in the design of employment policies. In the implementation of policies, a range of actors are involved: various types of training institutions, providers of special services (*e.g.* in the area of rehabilitative work), private placement agencies, social enterprises, and to some extent local representatives of the social partners.

101. The whole system is rather fragmented and responsibilities with regard to active and passive measures are split across different actors. KELA is mainly responsible for the income-support aspects of labour market programmes,³² but it is not the only actor in this area. Wage-related UI benefits are granted by the Unemployment Funds. The responsibility for deciding on eligibility for benefits is split across the different type of actors and varies by target group. Moreover, unemployment benefit is supplemented in some cases by social assistance which, in turn, is paid by the municipalities. Co-operation between the different institutions is thus a key issue.

Ministry of Employment and the Economy and the Public Employment Service

Structure and role in designing employment policies

102. At present, the MEE is largely in charge of employment policies. It was formed in January 2008 through a merger of the Ministry of Labour and the Ministry of Trade and Industry.³³

31. In this report the shorter term “Employment Offices” is used, since only the provision of employment services is assessed, and this is still their main function.

32. KELA also manages some placement-related services, notably for rehabilitation of recipients of KELA’s disability benefits.

33. Other countries that have merged the Ministries of Labour and of Employment and the Economy for a limited period of time include Austria (from 2000 to 2008), Germany (from 2002 to 2005), and

103. A number of other institutional changes have preceded this recent merger. After Finland became an independent state in 1917, labour policies were delivered to some extent by the Ministry of Communication and Public Works.³⁴ The Ministry of Social Affairs was responsible for the social care of unemployed persons. A Ministry of Labour began functioning in 1970 and its responsibilities were enlarged in 1989, but in 1997 some functions, such as the Occupational Health and Safety Department, were transferred back to the Ministry of Social Affairs and Health.

104. The new MEE has two ministers: the Minister of Economic Affairs and the Minister of Labour, two State Secretaries as well as one Permanent Secretary. The Ministry covers six areas of intervention: Work – which includes employment, unemployment and public employment services, working environment issues, collective agreements and the settlement of labour disputes – Enterprises, Consumers and the Market, Innovations, Energy and Regional Development.

105. The Ministry prepares general labour legislation and legislation related to employment services. Most importantly, it is responsible for the design of labour market policies. Furthermore, in 2007, in the context of the European employment strategy and the Lisbon process, a working group on “flexicurity” was set up at the Ministry tasked with developing approaches for a Finnish flexicurity model. The working group’s mandate lasts until 2010 and it will be involved in a number of reform projects and measures of other ministries, such as the overall reform of social security, overall reform of the adult educational system, improving the effectiveness of active labour market policy and the development of housing policies (MEE, 2008).

106. The MEE is – in contrast to the situation in many other countries – directly responsible for the implementation of employment policies, without any other central body acting as the head of the Employment Office network. Moreover, within the MEE the management of the PES is not centralised but spread over several units. The MEE directs and supports the regional and local structures of the PES: *i*) the Labour Market Departments of the T&E Centres; *ii*) local Employment Offices (including their Job-Seeking Centres, which in some cases are located separately), and branch offices; and *iii*) Labour Force Service Centres (LAFOS). The Ministry also compiles statistics on the clients of the Employment Offices. Its Corporate Steering Unit is in charge of monitoring and analysing the outcomes of performance targets set for the T&E Centres and, in collaboration with the different departments, drawing conclusions on this basis.

107. The Ministry is also responsible for policies for employed workers. It aims to boost productivity and to ensure the availability of sufficient labour to support economic growth. In this context the Ministry develops legislation for a better harmonisation of working life and family life and extending working life. It also runs the Finnish Workplace Development Programme (TYKES 2004-2009).³⁵

Poland, and they are still merged in Switzerland. More commonly in OECD countries, Labour and Social Affairs form one ministry or the Ministry of Labour exists on its own.

34. As already mentioned in Chapter 1, in this context it is important to understand that from the 1920s up to the early 1960s the administrative responsibility for labour affairs belonged mainly to the municipal authorities (Temmes and Melkas, 2001).

35. The Finnish Workplace Development Programme (FDWP, or TYKES – its Finnish acronym) has been running since 1996, as part of the National Government Programme. In the programme period 2004-2009, about 1 000 projects will have been implemented, with 250 000 participants. The programme finances expertise for workplace development projects implemented in the private, public and the so-called social economy sectors, covering expert costs of the projects. Projects have to

108. The budget appropriations for the Ministry of Labour in 2007 totalled EUR 1 929 million. The largest sub-items were Labour Market Support (EUR 686 million: this is Finland's unemployment assistance benefit, and the Labour Ministry delegated its detailed implementation to KELA, but with the creation of the new Ministry, the MEE, in 2008 it was transferred to the Ministry of Social Affairs and Health), and "other implementation of labour market policy" (EUR 701 million). Appropriations under the heading "employment, training and special measures" were divided into the labour force training appropriation (EUR 221 million, allocated to purchases of training by the T&E Centres), the employment subsidy appropriation (EUR 230 million, for subsidies to state, municipal and private employers), and special measures within public employment services (a smaller item, which can be used flexibly to facilitate taking regional needs into consideration) (MEE, 2008).³⁶

Employment Offices as the implementation body of labour market policies

109. The Employment Offices are directly managed by the regional-level T&Es, which however have many other responsibilities as well. More details on the structure of the placement-related PES functions will be given below, in Section 2.4.

110. Decisions about unemployment benefits, as regards the labour-market-behavioural criteria for eligibility and sanctions, are made by local Labour Committees associated with each Employment Office which can also have a say on local activation policy issues. In general the PES, the municipality and the social partners are on the board of these Committees. However, tensions may arise between the different actors: for example, decisions on benefit eligibility and sanctions can shift the financial burden and case management responsibility for clients from one labour-market actor to another.

Ministry of Social Affairs and Health, Ministry of Education and inter-ministerial co-operation

Ministry of Social Affairs and Health

111. The Ministry of Social Affairs and Health is responsible for occupational health and safety in this context develops also programmes for maintaining older workers in employment. Since the early 1990s, Finland has introduced a series of programmes intended to address the issues of population ageing and early retirement. One of the best-known programmes, which received much attention all over Europe, was the 1998-2002 National Programme on Ageing Workers which involved co-operation between several ministries across a wide range of areas (MSAH, 2002a). It consisted mainly of information campaigns and training of both managers and workers. When this programme ended, in 2003 the Ministry of Social Affairs and Health started the Veto Programme which aims at prolonging working lives through involving occupational health care professionals and occupational safety organisations (MSAH, 2006b). The main target groups are people aged over 45 and employers, especially small and medium enterprises. Research projects on how to improve working life for older workers are also carried out under the aegis of the programme. A further aim is to improve the quality and availability of occupational health services and to increase efficiency in the co-operation with rehabilitation services.

112. The Insurance Department of the Ministry of Social Affairs and Health is in charge of policies concerning social insurance legislation, the different insurance institutions and insurance funds; with regard to unemployment benefits this concerns the 36 Unemployment Funds, which pay the

comply with the criteria of broad participation and promoting quality of working life on a sustainable basis.

36. In addition to this, some active measures are financed by the budgets of the Ministry of Social Affairs and Health (in particular rehabilitative work) and the Ministry of Education (apprenticeship training).

Earnings-related Allowance (see Chapter 4 for more details on these benefit categories), and KELA which pays the Basic Allowance (a flat-rate benefit for people with a contribution record but who are not members of an Unemployment Fund) and Labour Market Support (LMS), which is an assistance benefit for those not eligible for an Allowance.

Ministry of Education

113. The Ministry of Education has overall responsibility for the national Youth Policy Development Programme 2007-2011, which is an application of the European Youth Pact. The Youth Act of 2006 regulates the operational structure and financial structure of youth policies and sets the guiding principles. In this context the Ministry of Education funds the National Workshop Association (see below). In addition, municipalities play a key role in youth policies.

114. In the public sector, responsibility for organising and funding adult education is divided between the Ministry of Education for the voluntary adult education courses and the MEE for adult education in the context of active labour market programmes. However, this division of tasks may lead to inefficiencies, as problems of an uneven division of educational opportunities and overlapping qualifications appear (Prime Minister's Office, 2007a). This is one of the areas where co-operation between the ministries could be improved. In recent years, one of the largest adult educational programmes was the 2003-2007 Noste Programme targeted at the 600 000 adults (30-59-year olds) not possessing a formal vocational degree. However, implementation of this Programme has been slow,³⁷ with large regional variations. Overlaps of responsibilities exist also with regard to young people, as the Ministry of Education addresses problems of disadvantaged young people and plays an important role in implementing the Youth Guarantee (see Chapter 3). Furthermore, it seems that the MEE does not have a comprehensive statistical overview of the different activities of the Ministry of Education in terms of budget and participants.

Inter-ministerial co-operation and the setting-up of a reform committee

115. There is a tradition of inter-ministerial co-operation in the area of labour market policies (e.g. the National Workplace Development Programme, the National Productivity Programme, the National Programme for Older Workers). Nevertheless, there are several indications that co-operation between the various actors is far from satisfactory (Arnkil, 2008; and Temmes and Melkas, 2001).

116. There is also a tradition of co-operation between the MEE and the Ministry of Education and other stakeholders concerning long-term anticipation of labour and skill needs. A new process, launched by an inter-ministerial consortium led by the MEE, in 2008 started to order regular quantitative forecasts from the Government Institute for Economic Research (VATT). These forecasts serve as common national data on the future trends, and the relevant ministries and other bodies interpret, adjust and modify them for their own more detailed needs. The Ministry of Education converts the forecasts into education needs. The forecasts also include regionalised data that are to be discussed in co-operation with national and regional actors. At regional level, the Regional Councils will co-ordinate long- and medium-term anticipation work in co-operation with other regional actors as part of regional strategy work.

37. By mid-2006, approximately 14 000 participants had joined the Programme. About 4 600 students started during all of 2006 (MoL, 2007a), which appears to be about half of the annual target of 10 000 (www.eukn.org/binaries/finland/bulk/practice/2006/9/noste2.pdf; and www.mikkelinnoste.fi/fi/sisalto/11_in_english/?C:D=52989).

117. A reform committee SATA³⁸ was set up in 2007 to plan a complete overhaul of social security in Finland. The committee has been focusing on the simplification of the benefit system, with a view to easing the possibility to combine work and benefits in particular, and also aims to promote activation and lengthen working lives (MEE, 2008; and SATA Committee (2009), www.stm.fi/en/strategies_and_programmes/sata; see also Box 1.1 in Chapter 1).

Social partners

118. The tripartite co-operation between the Ministry of Labour, the employer organisations and the trade unions has a long tradition in Finland. Almost all legislation concerning working life is based on tripartite dialogue (EIRO, 2007). There exist numerous tripartite advisory boards to the MEE. For example, MEE has a tripartite Council for Labour and Training Affairs which also covers the activities of the Ministry of Education. It is alternately chaired by the Minister of Employment and the Economy and the Minister of Education. The other members of the Council are senior managers of their organisations and agencies.

119. At the local level, the social partners are represented in local Labour Committees dealing with the implementation of employment policies. At the workplace, trade unions and staff representatives are involved in (or at least informed about) the implementation of the Change Security scheme³⁹ in the case of dismissals (see Chapter 3). However, although the Change Security scheme was introduced in 2005, it is still not known by many SMEs and public sector entities. This is an area where the social partners could probably play a more important role.

Municipalities

120. There were about 350 municipalities in Finland in 2008.⁴⁰ Many of them are small, as 71 have less than 2 000 inhabitants and another 168 have between 2 000 and 6 000 inhabitants. Given the wide range of services the municipalities have to provide, it is difficult for small municipalities to deliver them efficiently and therefore there is ongoing discussion about a possible reorganisation. The principle of self-governance of municipalities is enshrined in the Finnish constitution, but the State can assign duties to municipalities. In fact, local authorities are responsible for providing a wide range of welfare services for their residents relating to social welfare, health care, education (including comprehensive and upper-secondary schools, vocational institutions, polytechnics and adult education but excluding universities), culture, environment and technical infrastructure. The provision of a number of services is based on individual rights (*e.g.* child care). Furthermore, municipalities seek to promote commerce and employment.

121. Nearly half of the municipal budget is financed by tax revenues consisting mainly of a share of income tax. There is a re-distributional factor as the State allocates to the municipalities grants and subsidies for welfare services mainly in the areas of social welfare and health care.⁴¹ In total, about a fifth of tax revenues are attributed to the local governments, which is well above the OECD

38. SATA means one hundred in Finnish. The name of the Committee refers to the upcoming 100th anniversary of the creation of the Finnish state, as well as to the fact that there are around 100 benefits.

39. The aim of this scheme is to speed up the transition from job-to-job and re-employment in case of redundancies. See Chapter 3 for more details.

40. The number has fallen from 460 in 1992: en.wikipedia.org/wiki/Municipalities_of_finland.

41. In 2007, State grants amounted to EUR 5.75 billion as compared to EUR 16.28 billion tax revenues (according to the Advisory Board on Municipal Economy and Administration 15.08.2007).

average (13%) (OECD, 2008f).⁴² The municipalities' right to levy income taxes also highlights the extent of local autonomy in Finland.

122. Municipalities are large employers: in 2004, the local and joint authorities employed 431 000 people, approximately one-fifth of Finland's workforce, while the central state employed 124 000 people. The number of staff employed by the State had decreased since 1990, while the number of municipal employees had hardly changed. About 29% of municipal staff are employed in health care, 27% in education and culture and 27% in social services.⁴³

123. As mentioned in Chapter 1, municipalities have a long tradition of promoting local employment. They were for many years (until 2006, when private employers overtook this position) the main recipients of state subsidies for hiring the long-term unemployed. In the 1980s and 1990s they did not bear the cost of LMS, the main assistance benefit paid to the unemployed, and they did not develop their own employment services to any great extent.⁴⁴ However, since 1998 they can lower the social assistance payment if beneficiaries refuse work or other measures and increasingly have activated them. Since 2004, they co-operate with the Employment Offices in co-managing Labour Force Service Centres (see Chapter 3) and since 2006, they contribute to the financing of LMS (through payment to KELA). Finally, municipalities can direct parts of their own budget towards projects and associations promoting employment. Box 2.1 illustrates these roles in the case of Helsinki.

Box 2.1. Municipal labour market policies: the example of the City of Helsinki

In 2006, the City of Helsinki had about 565 000 inhabitants. In 2004, about 368 000 people worked in Helsinki (and 574 000 in the metropolitan Area). The City itself employed 38 000 workers, of whom 6 000 had a temporary contract, making it the largest employer. Unemployment has usually been lower in Helsinki than in Finland as a whole (e.g. in 2005, 9.1% against 11.1% in the whole country: City of Helsinki, 2007a; and 2007b). The Social Services Department has 11 400 staff. It is the largest department of the City.

The City administration has its own Personnel Centre to co-ordinate labour market policy measures. In 2007, a budget of EUR 38.9 million for promoting local employment was managed by the City. About EUR 19.9 million of it was spent by the Personnel Centre on employing the unemployed. The remaining part of the budget was spent on organising schooling and courses for the unemployed, on assisting associations, foundations and companies to hire the unemployed and for the implementation of specific projects. Of the budget for promoting local employment, the Social Services Department spent EUR 16 million in the area of adult services, the Economic and Planning Centre spent EUR 700 000 on business services and finally the Education Department spent EUR 2.3 million on youth and adult education. All together, about 5 500 to 6 000 unemployed participated in the measures organised and implemented by the Personnel Centre, the Social Services Department and the Education Department. Average expenditure per unemployed person was roughly EUR 6 000. The measures encompassed:

-
42. In Denmark and Sweden, the share of tax revenues attributed to local government is above 30%. In most other European countries, this share is below the Finnish level.
43. Data provided by Association of Finnish Local and Regional Authorities: see also www.vm.fi/vm/en/04_publications_and_documents/01_publications/06_state_employers_office/ho_eu_pj_enkku_netsti.pdf.
44. Lilja *et al.* (1990) do not mention municipalities as actors in labour market policy against unemployment at all. OECD (1996a, p. 78) reports that municipalities in both Denmark and Finland complain that the PES gives too little attention to their clients, but municipalities in Denmark had a greater sense of urgency: they, to some extent, kept track of possible job openings in the market sector for their clients and in some cases had proposed to set up jointly-financed Employment Offices.

Box 2.1. **Municipal labour market policies: the example of the City of Helsinki** (cont.)

- **Subsidised work:** About 1 100 employees at the City of Helsinki are on a subsidised work scheme. The wage subsidy lasts for between seven and ten months but can go up to two years for long-term unemployed. The employer – a City Department, or a privatised or outsourced former public enterprise or service – gets a wage subsidy. The usual procedure is that the interested Department of the City or the commercial enterprise approaches the PES, which in turn proposes one to five persons to be referred to the vacant position. The working time and the income generally amount to 85% of the normal rates. The responsible Departments are the Personnel Centre and the Social Services Department. In order to evaluate the net employment effects and the net amount of budget spent to support this employment, it is important to know whether the types of services provided would not have been provided otherwise. In some cases, it might be that the municipalities perceived the wage subsidies as a way of financing the delivery of services for which no specific appropriation was made by the State, and it is not clear whether other sources of financing would have existed;
- **Practical training:** About 400 unemployed received practical training. The unemployed receive unemployment benefits during this period. The practical training lasts between one and six months. In many cases practical training preceded subsidised work. The responsible Departments are the Personnel Centre, the Social Services Department and the Education Department;
- **Schooling and courses:** The apprenticeship scheme leads to vocational examination and lasts between 1 and 3 years. About 200 persons per year sign an apprenticeship contract, based on a temporary employment contract during which salary is paid. Participants are between 30- and 40-years old and had no training before or got the “wrong training”. A further 250 persons participate in the “recruiting schooling” scheme, lasting for 2 months up to 2 years, but schooling does not necessarily lead to a vocational examination. In both schemes, 80% of the work takes place at the workplace and the remaining 20% at school. In terms of the number of participants, coaching courses, courses in Finnish language, short courses and coaching in job search are more important and there are yearly about 1 000 participants on these schemes;
- **Contributions to associations:** The City of Helsinki makes a yearly contribution of EUR 300 000 to associations for covering the project costs of promoting employment;
- **The Helsinki Supplement:** This supplement is paid to associations and since recently to companies for hiring unemployed workers. The level of this supplement is linked to the monthly salary and ranges from EUR 300 to EUR 600 per month. On a yearly average, the City of Helsinki spends about EUR 1.9 million and supports on average 700 persons a year. The supplement can be granted for one year and in specific cases for two years;
- **Guidance for companies** in order to promote the expansion of jobs, which includes start-up assistance;
- **Support from social services**, which can be given to an unemployed before starting to work or during work. These services are offered by local social offices (for the period before employment) or by the Labour Force Service Centre (LAFOS). About 3 500 persons attend one of the LAFOS. Additional support from the City becomes necessary as neither the PES nor the LAFOS have enough capacity to serve all long-term unemployed and furthermore, there are social assistance recipients needing special support for entering working life or rehabilitation. In 2007, the City provided labour market integration services to another 500 persons with a budget of EUR 400 000. But still, there is a perceived lack of resources; and
- **Specific projects**, which are limited in time and target specific groups (e.g. job-related immigration, transition from school to work, social work aimed at improving the employability of living-allowance recipients).

Rough estimates made by municipal officers of the City of Helsinki indicate that about 30% of the persons having participated in the different measures will find a job on the regular labour market. But repeated participation in measures at the City of Helsinki is quite common. Evaluation studies indicate that wage subsidies in municipalities lead to poor transition rates towards the regular labour market (see Chapter 5). The City of Helsinki is aware of the need to enhance efficiency by improving co-operation with the Employment Offices and, against the background of labour shortages, the City is also seeking to improve its image as an employer. An evaluation of the whole system of local employment policies has been launched by the municipality.

Source: Information provided by the City of Helsinki.

Service providers for training and specific activation measures

124. Labour Market Training funded by the PES – both vocational and preparatory training – is outsourced. Moreover, the PES has outsourced most of the job-search training activities as well as other so-called group activities for jobseekers. The T&E Centres purchase most of the Labour Market Training, and the Employment Offices purchase some of these services for specific individual and local needs. The training is purchased from private and public training institutes, universities and other private operators.

125. Different kinds of associations have been set up with the aim of integrating the unemployed into the labour market. A number of associations implement projects aimed at the intermediate labour market. Specific funds for running the projects can be allocated on a project basis by the Labour Administration, covering mainly parts of the administrative and management costs. Box 2.2 describes Workshops, which specialise in integrating disadvantaged people into the labour market.

Box 2.2. The National Workshop Association

Workshops have been set up for the integration of hard-to-place jobless people. A Workshop is a community in which work, training and guidance services are used to improve an individual's life-management skills and readiness to seek education and employment. The Workshops are mostly run by the municipalities, but also by different kinds of NGOs. There are 200 of these Workshops in Finland, organised in the National Workshop Association, providing annually services to 10 000 to 12 000 trainees. Workshops started with youth in the mid-1990s. Activities have expanded to include a variety of client groups: long-term unemployed; people in rehabilitation for mental health or substance-abuse problems; people with diminished work and/or functional capacity. The most important buyers of this service are the PES, the social welfare agencies and KELA.^a This illustrates the fragmentation of the system as different institutions buy the same type of service for rather similar target groups.

Source: Information provided by the National Workshop Association.

a) About 30% of the clients are sent by the LAFOS and the PES, 60% are sent by the municipalities (including young people without any work history), and 10% are sent by KELA.

2.3. Main characteristics of the Finnish Public Employment Service

Local Employment Offices and separate structures for particular target groups

126. In 2009, the number of the newly renamed Employment and Economic Development Offices (also called T&E Offices) was 74. The number of Employment Offices has been reduced over the past few years in order to enhance the efficiency of service delivery. The low population density in some rural areas renders in particular the organisation of training measures difficult, especially, if the training focuses on specific skills.

127. The Employment Offices are responsible for implementing active labour market programmes and also for presenting cases to their local Labour Committee for decisions about unemployment benefit eligibility or sanctions. The Act on the Public Employment Service of 2002 mainly regulates the general targets, the operational procedures of the Employment Offices and the type of services provided by them, conditions for registering as a jobseeker, the duration of validity of a job application and the obligations of an unemployed jobseeker. Unemployment benefits are regulated in the Unemployment Security Act of 2002 (which is the Act of 1984, amended).

128. Employment Offices are usually organised in different units, including the Job-Seeking Centres, which offer self-service facilities and e-services and are mostly based within the public Employment Offices. These should serve “ready-to-work” jobseekers, including those looking for a job but still employed and young people who have finished their studies. A PES officer provides guidance on how to use the e-services. The Job Centres also organise recruitment events. Recruitment events and fairs are important, as they offer the possibility to persuade employers to employ also the long-term unemployed. In recent years, some staff from Employment Offices have also been assigned to the 39 LAFOS, which operate from separate locations, and to call centres which also contribute to the strengthening of self-services and e-services.

129. A key task of the staff of Employment Offices is the drawing-up of several types of individual action plan (see Chapter 3). Further units which work within Employment Offices (although they may be represented by only one staff member in some offices and absent from many others), providing services for particular target groups, are the vocational guidance units and the employer service units. It is noticeable that the vocational guidance units employed 270 vocational guidance psychologists in 2005 (Pulliainen, 2005).⁴⁵ In many OECD countries, the PES has no vocational guidance function and staff grade distinct from the ordinary employment counselling function and staff grade.⁴⁶ Finally, Change Security units provide special services for victims of collective dismissals from long-tenure jobs (see Chapter 3). Employer service units gained importance in the period of increasing labour shortages, and represent about 10% of PES office resources. Training courses such as job clubs usually take place at the local Employment Offices.

Management of the Employment Offices

130. As already indicated, there is no central body of the Employment Office network at national level. The Ministry implements employment policies through its regional administration, the T&E Centres (formerly labour districts), which in turn manage the Employment Offices (now renamed T&E Offices). The head of the T&E Centres as well as the leader of its labour market department are appointed by the MEE. Furthermore, the MEE formulates guidelines for the implementation of LMPs.

131. The tasks of the 15 T&E Centres are to contribute to the overall development of the region; to promote business development, in particular of SMEs, technological development, farming and rural industries and fisheries; and to plan and organise training and education for adults in line with official labour policies (Temmes and Melkas, 2001). They provide a variety of assistance, advice and consultancy to companies and may promote investments and development projects. Furthermore, experts analyse the needs for, and allocation of, vocational education and training, in co-operation with local companies, employees and other partners. The Labour Market Departments of the T&E Centres are responsible for planning and implementing regional employment policies in co-operation with other regional authorities, the municipalities, employers and industrial organisations. They appoint the staff of the Employment Offices. The tasks of the Centres are regulated by the 1997 Act on Employment and Economic Development Centres.

45. Only 20 of them were working at the LAFOS.

46. Sultana and Watts (2006) report findings from a survey of Public Employment Services in all EU Member States, plus Iceland, Norway and Switzerland, and note that vocational guidance services within the PES are particularly well developed in Finland. Switzerland is the only other country identified where the PES has specially trained vocational guidance staff who are all graduate psychologists. Further countries where the PES has separate career-guidance services include Belgium-FOREM, Estonia, Germany, Lithuania, Luxembourg, Poland, the Slovak Republic and Slovenia.

132. Different committees at regional levels, composed of local and regional stakeholders,⁴⁷ have an advisory function with regard to the formulation of the objectives and strategies of the T&E Centres, but they do not decide on how to allocate the budget. There is also a forecasting and purchasing committee, which is mainly concerned with Labour Market Training issues, a guiding Committee for the regional “Entrepreneurship Finland” programme, a guiding committee for rural entrepreneurship and a committee for ethnic relations.

133. The MEE implements a system of management by objectives and negotiates yearly objectives, regional targets and budgets with the T&E Centres and their Labour Departments. The T&E Labour Departments negotiate targets and budgets with the Employment Offices. The negotiated objectives and targets for each T&E Centre and Employment Office are drawn from the national labour policy strategy. There is a quantitative indicator and a quantified objective set at national level for each target. The quantification of the targets are then negotiated with the T&E Centres which in turn negotiate quantitative targets with the employment offices. Some examples of the national targets are:

- Reduce acknowledged recruitment problems;
- Reduce the volume of structural unemployment;
- Ensure the filling of vacancies: number of vacancies which were filled as a consequence of a job offer by the PES and the time taken to fill the vacancies;
- Enhance joint provision (with employers) of Labour Market Training;
- Reduce the flow of jobseekers to unemployment longer than three months;
- Increase the activation rate (*i.e.* the proportion of jobseekers participating in an active programme);
- Decrease the percentage of people who are unemployed three months after Labour Market Training or subsidised work;
- Increase customer satisfaction; and
- Meet targets for the use of subsidised work in private companies.

The fulfilment of some of these targets may lead to a bonus (*e.g.* in case of reducing recruitment problems, reducing flow of unemployment longer than three months, reducing unemployment after participation in ALMP).

134. As an element of the management-by-objectives approach, the 15 T&E Centres provide monitoring reports on the achievement of the targets for the Ministry on a regular basis. In case of poor performance, the T&E Centre may try to monitor and advise an Employment Office intensively. If the gap between achievements and targets is large and cannot be explained by changes in the local labour market conditions, the Centre may be reluctant to allocate adequate resources to the local office in the subsequent year – although since jobseekers should not be indirectly punished for the poor performance of their local Employment Office, such decisions are taken very carefully. As in some

47. The structure of these Committees can be illustrated by the following example: the regional advisory committee of Central Finland’s Employment and Economic Development (T&E Centre) consists of 22 members representing the social partners (represented by their regional organisations), the regional organisation of the municipalities, the Forest authority, the Fishing authority, the regional chambers of trade, the primary sector producers’ organisation of the unemployed, as well as one major municipality. Expert members include the University, the Polytechnic and vocational schools. Finally, the management of the Centre is represented by six members.

other EU countries that implement management-by-objectives approaches (*e.g.* Austria and France), incentives to perform well are set through performance-pay schemes and through a career incentive (see Mosley *et al.*, 2001). The experience of other countries (*e.g.* Australia and Switzerland) suggests that performance indicators and performance management can play an important role.

135. Although decentralised approaches to activation policies have a range of potential advantages, including the fact that they are closer to target groups, better informed and they can pursue a more pragmatic approach, there are also potential negative effects on the effectiveness of labour market policies. In particular, there might be a duplication of activities, capacities may be unevenly distributed and there is a risk of a large divergence from national goals by pursuing local interests (Giguère and Froy, 2009). Thus, a central body which co-ordinates, evaluates, follows up and designs programmes and activation strategies may increase the effectiveness of policy delivery.

Labour Force Service Centres

136. Finland's EU accession had an influence on the regional organisation of the country with a view to implementing the Structural Programmes. Moreover, the launching of the European programme "Territorial Employment Pacts", as well as the LEED programme of the OECD, led to pilot experiments of local partnerships in the second half of the 1990s. In 1995-99, pilots of joint services were tested in several projects with EU and national funding. In 2002-03, a large experiment of joint services was carried out in which 18 joint services took part. These pilots were considered a success and as a result Labour Force Services Centres (LAFOS) were rolled out nationally between 2004 and 2006.

137. Co-operation at local level with other actors has been promoted through the recent reforms of the Labour Administration: the setting-up of LAFOS as a body jointly run by the municipalities and the local Employment Offices with the aim of providing integrated services to difficult-to-place client groups of both institutions. The core of LAFOS personnel is drawn on a fifty-fifty basis from the Employment Offices and municipal welfare agencies, with a limited number of personnel also contributed by the local KELA office. LAFOS are not formally independent organisational units but organisations based on local, rather informal, co-operation contracts between these partners, and act under management jointly defined by them (Aho, 2007). About 39 LAFOS centres were established between 2004 and 2007, involving 63 Employment Offices. The size of the LAFOS centres varies across the country, with the largest offices offering a wide range of services from nurses, doctors, psychologists, debt advisors, social workers, training advisors and employment advisors. Thanks to the co-operation between institutions, the LAFOS can offer multi-professional services. Most often, employment opportunities in the intermediate labour market (subsidised work) are proposed, which aim to prepare the disadvantaged groups to take up employment later in the open labour market. However, the LAFOS can use all PES schemes as well as health services provided by municipalities (basic health). There are different models as regards which organisation takes the lead at the LAFOS: *i*) an Employment Office staff member; *ii*) a municipal staff member; or *iii*) a rotating system (*e.g.* on a yearly or pluri-annual basis) between both institutions.

138. In 2007, some 600 full-time employees of the Labour Administration, municipalities and the Social Insurance Institution were working within the LAFOS. In addition, there were some 100 part-time municipal employees. In 2007, LAFOS had an average of 23 500 jobseeker clients, representing only roughly half of LMS recipients who have been unemployed for over 500 days (which is equivalent to 100 weeks in the case of an uninterrupted spell of unemployment) (KELA, 2008a, Table 116). Probably not all long-term unemployed LMS recipients are suited for taking part in intensive counselling, but nevertheless it seems that the number participating should be higher, since groups other than very-long-term unemployed LMS recipients could also benefit.

139. Since the beginning of 2006, the financing responsibilities of the State and municipalities were changed to increase incentives for municipalities to organise active measures for people who have received LMS benefit for more than 100 weeks.⁴⁸ In these cases, municipalities have to finance 50% of the passive LMS of the long-term recipients and the state finances activation in all cases. Although at first sight this represents a new financial burden for the municipalities, they gain financially if they reduce the size of the target group below its 2003 level. With the reform social assistance payments to LMS recipients, which were previously financed by the municipalities, were also divided between the state and municipalities (Government of Finland, 2009).⁴⁹ If the net result is nevertheless negative, municipality-specific compensation is paid because the starting point of the reform was that the municipalities must not lose financially. But in general the more a municipality manages to decrease the number of the target group, the more it gains financially.⁵⁰

140. The main challenges are associated with improvements of the management and administration of the different public bodies in charge of labour market policies, both at the national and local levels (Arnkil, 2008). The vertical steering mechanism and accountability of PES offices managed by central government is very different from the steering mechanism and accountability of the local government system. A further challenge consists in positioning the LAFOS locally in the field of rehabilitation and adult education. It seems that better cross-departmental co-operation and strategic support from the central level will be necessary. Also, the future position and level of autonomy of LAFOS at the local level would need clarification. Despite this criticism, mutual learning by both the social workers and the PES staff is seen by the involved actors as a positive outcome of the new organisational setting. A recent evaluation (Arnkil *et al.*, 2008) stresses that the LAFOS have been successful in improving inter-institutional co-operation, but they are still not sufficiently integrated in the Employment Office work. Problems arise with the separation of tasks between employment offices and LAFOS, and there is little transition between the different types of activation services. The approach followed by LAFOS is certainly necessary and useful, but co-operation needs to be improved and the integration of the institutional framework strengthened, and one-stop-shop services should more often be provided to people who are not yet very-long-term unemployed.⁵¹

141. Another area of co-operation between the PES and the municipalities concerns the integration of immigrants. KELA grants integration assistance to immigrants if an integration plan has been drawn up between the immigrant, the municipality and the Employment Office (www.kela.fi).

The Social Insurance Institution (KELA)

142. The administration of passive labour market programmes, such as the payment of unemployment benefits is operated by the KELA and the Unemployment Funds. Historically, KELA

48. See Chapter 4 for more detailed information on the group involved.

49. Previously the state covered all costs for the labour market support, while municipalities funded social assistance, with the help of a government appropriation of 33% on average, which however did not vary directly with the actual number of social assistance recipients.

50. Currently few if any municipalities receive municipality-specific compensation but if this happens (as unemployment rises during the recession) the incentive to decrease caseloads will be lost.

51. In Norway, a far more encompassing reform has been implemented in order to provide integrated services to persons out of work, implying a closer co-operation between public employment offices, health services and municipal social services in the integrated Labour and Welfare Service (NAV). However, these reforms have also proven to be difficult to implement in the context of conflicts between the central and the municipal levels (Duell *et al.*, 2009).

was concerned with pensions. Over time, it has taken over responsibility for a wide range of benefits and is now in charge of more than 100 benefits. KELA's mission is to secure the income and promote health and to support the capacity of individual citizens to care for themselves in different life situations.

143. KELA is financed by social security contributions and by grants and contributions from the central government. In the context of unemployment benefits, UI contributions paid by persons who are not members of Unemployment Funds are used for financing Basic Allowance payments to them.

144. The unemployment-related benefits paid by KELA include: *Labour Market Training* subsidy (the continuation of the Unemployment Allowance in cases where the Employment Office has referred a client to a training course); *Training Allowance* (the continuation of the Unemployment Allowance in cases where the person is allowed to pursue self-selected training); *Basic Allowance*; *Labour Market Support* for persons who do not qualify for an allowance; and *Unemployment Pension* for those over 60 years of age. In 2007, these benefits (mainly Basic Allowance and Labour Market Support) totalled EUR 823 million, about 8% of the total paid out by KELA.

145. KELA is also responsible for granting sickness allowances, disability allowances and rehabilitation. In some cases KELA, in addition to paying the allowances, implements case management (e.g. for individuals with mental health problems).⁵²

146. KELA has five regional offices (corresponding to the five State Provincial Offices run by the Ministry of Education and the Ministry of Social Affairs and Health), over 260 local offices and more than 110 shared-service points operated with other government agencies. In 2006, KELA had 5 973 staff. In 2007, its total administration costs were 3.2% of the benefits paid out, which totalled EUR 10.5 billion (KELA, 2008b; and 2008c). Assuming that KELA administration costs for unemployment benefits are about one eighth of the total,⁵³ they represented about 750 staff and EUR 40 million of expenditure.

Unemployment Funds

147. The Earnings-related Allowance system in Finland is voluntary and historically was entirely run by trade unions. There are 34 sector-based Unemployment Funds⁵⁴ for employees and another 2 for self-employed and entrepreneurs. It is possible either to join an Unemployment Fund directly or to join through trade-union membership. The 36 Unemployment Funds are organised in the Federation of Unemployment Funds in Finland (TYJ). The Unemployment Fund is notified by the Employment Office about the unemployment claim of a Fund member. The claimant must also submit his/her

52. Employment Offices classify some unemployed clients as disabled by their own criteria, which does not necessarily imply that KELA will assess the client as disabled for the purposes of entitlement to a disability benefit. Some clients' rehabilitation needs are assessed by more than one institution. The Act on Co-operation on Client Services within Rehabilitation (497/2003) sets out principles governing the co-operation between different administrative sectors, the status of the clients as well as the procedure for the co-operation. Individual cases can be brought to local co-operation groups.

53. Experience from other countries suggests that unemployment benefits are somewhat more costly to administer (relative to the cost of benefits paid) than the average of other benefits. A large proportion of social security spending is on long-term benefits, such as age and disability pensions, where entries, exits and reassessments are relatively infrequent.

54. All except one of these Unemployment Funds are administered by trade unions. The General Unemployment YTK was founded in 1992 as an independent Unemployment Fund. In 2004, about 9% of the labour force were members of this Fund (www.eurofound.europa.eu/eiro/2005/10/feature/fi0510202f.htm).

application to the Unemployment Fund. The Fund then takes a decision on the payment of the unemployment benefit (www.tyj.fi), based on membership and previous employment conditions, as well as the assessment of eligibility made by the Employment Office (see Chapter 4 for further discussion of benefit eligibility conditions). Earnings-related unemployment benefits are financed partly through the Unemployment Funds' membership fees, but mainly by compulsory national insurance contributions and government funding (see Chapter 4).

2.4. Financial and human resources

148. The yearly budget for each T&E Centre consists mainly of national funding for active labour market measures, funding for ESF-related measures and funding for operating the Employment Offices (wages, rent, office supplies, etc.). The number of unemployed jobseekers and the size of the labour force are the main criteria for budget allocation, but regional factors and specified objectives are also taken into account. The T&E Centres in turn negotiate targets with the Employment Offices. Within their total budget for active labour market measures, the Centres can reallocate the originally-negotiated funding if needed (*e.g.* spend more on Labour Market Training and less on subsidised work).

149. The local Employment Offices also have some discretion over the allocation of funds and in assessing the eligibility of jobseekers for unemployment benefits. They also have the possibility to suggest reallocation of the original yearly funding and in fact reallocations are reported to the Ministry several times a year. Thus, *de facto*, the local level of the Labour Administration has possibilities to influence both the budget and policy delivery.

150. In 2007, about 4 700 employees were working in the whole Labour Administration, of which nearly 4 000 were working at PES offices, 513 were working at the T&E Centres and 335 at the Ministry itself.⁵⁵ Since 2000, the total number of staff of the Labour Administration (including the Ministry) increased by 9%. The number of staff employed at the PES offices increased by 11% and given the constant decline in unemployment in the pre-crisis phase, the number of staff per unemployed person increased. In addition to the staff of the Labour Administration, it can be roughly estimated that 1 500 to 2 000 staff in KELA and the Unemployment Funds work on unemployment benefit administration.⁵⁶ As a response to the economic crisis, additional financial resources were made available through the supplementary budgets for 2009.⁵⁷

151. About 6.6% of the staff at the Employment Offices and T&E Centres work part time. The share of temporary work is surprisingly high, as about 30% of the staff worked on a fixed-term contract. High staff turnover may harm the quality of the services. The share of women among the staff is well above the average for the whole public administration, which is linked to the low wages offered. The educational level of the staff in the Labour Administration has been quite low compared to their difficult tasks requiring service orientation and professionalism (Temmes and Melkas, 2001). Linked to the low average educational attainment, the Ministry has organised a lot of in-service training. The Ministry formulated an objective of decreasing the number of staff and increasing their wages in order to increase productivity.

55. Staff numbers refer to full-time equivalents, and include 595 staff financed by employment subsidies.

56. As already argued it is roughly estimated that KELA staff concerned with labour market related subsidies amounts to 750. The Unemployment Funds probably have a higher number of staff: although, the number of cases may be lower, the running of the 36 separate Funds implies a higher overhead costs.

57. An additional 20 staff are allocated for implementing the Change Security scheme; 50 additional staff for employment services for youth, and 40 additional staff for services for immigrants in the Helsinki area.

152. Table 2.1 gives an overview of the distribution of human resources to different types of services provided by the Employment Offices and the LAFOS. The registration of customers and the handling of unemployment benefits absorbs nearly a fourth of the staff resources. More than a fourth of the staff are concerned with activating the unemployed by giving them guidance, drawing-up action plans, and implementing job-search activities. In addition, about 7% of the staff is concerned with the delivery of specialised services for long-term unemployed. Nearly a fifth is concerned with recruitment and placement services. Thus, more than half of the staff deliver services such as counselling, guidance and placement. Roughly a fifth of human resources are allocated to the implementation of active labour market programmes.

Table 2.1. **Staff in the Finnish PES by type of service, 2006**

| Percentages | |
|--|--|
| Type of services | Percentage of staff in full-time equivalents in 2006 |
| Employment services (recruitment and placement services) | 18.8 |
| Registration of customers | 14.9 |
| Individual action plans | 13.9 |
| Employment subsidies, activation measures | 7.9 |
| Unemployment benefits | 7.9 |
| Vocational guidance | 6.9 |
| Special services for the long-term unemployed | 6.9 |
| Labour Market Training | 5.0 |
| Information on education | 4.0 |
| ESF-funded measures | 4.0 |
| Vocational rehabilitation | 3.0 |
| Employer visits | 2.0 |
| Job-search activities, job clubs | 2.0 |
| Mobility assistance | 1.0 |
| Integration services for immigrants | 1.0 |
| Change Security | 1.0 |
| Total | 100.0 |

Source: Official reply from national authorities to the OECD questionnaire on activation policies received on 10/5/2007.

153. The main placement-service network in Finland, as compared with the four other OECD countries shown in Table 2A.1, has a fairly high number of staff per local office without a particularly high level of population per local office. However, the area covered by the average office is high, related to the low population density in large parts of Finland. Table 2A.2 considers the staff of the broad PES, also including staff who work outside the main placement-service network (*e.g.* on benefit administration). The share of broad PES staff dealing with placement and related services (not including LMP administration) is about 60% in Finland, similar to the share in Japan and Norway but higher than in Ireland (36%). The number of wage earners in the economy relative to the staff of the broad PES in Finland is similar to the levels in Germany and Norway, but much lower than in Ireland, Luxembourg and Japan. The ratio of LFS unemployed to the broad PES staff was (the ratios will have changed in the recession) lower than in Germany, Ireland, Japan or Luxembourg. This ratio was still lower in Norway, but most of the clients of Norway's recently-created NAV organisation are vocationally disabled and social-assistance recipients who often are not reported as LFS unemployed.

ANNEX 2A

Supplementary tables

Table 2A.1. Public employment service office networks and staffing, selected OECD countries, selected years

| | Finland 2007 | Germany 2006 | Ireland 2007 | Japan 2007 | Norway 2006 | Norway 2009 |
|--|------------------------------|-------------------------------|--------------------|--|--|-----------------------------|
| Organisations included in this table | Employment offices, T&E, MoL | BA ^a | FÁS-ES and LES | Hello Work Prefectural lab.bureau MHLW | Aetat | NAV placement functions |
| Functions covered^b | Mainly placement | Broad PES (for UI recipients) | Placement only | Broad PES ^c | Broad PES ^d (for UI recipients) | Placement ^e only |
| Measurement basis (headcount or FTE) | FTE | FTE | FTE | Headcount | Headcount | Headcount |
| Total | 4 206 ^g | 58 208 ^a | 822 ^h | 14 477 | 4 501 ⁱ | .. |
| Local offices | 3 349 | 48 946 | 750 | 12 038 | 3 500 ^j | 5 500 ^k |
| Regional (intermediate-level) offices | 513 ^l | 2 837 | 23 ^h | 2 213 ^m | .. | .. |
| Head and other national offices | 344 ⁿ | 6 425 ^o | 49 ^{h, p} | 226 | .. | .. |
| PES office network | | | | | | |
| Regional offices | 15 | 10 | 8 | 47 | 18 ^q | 19 |
| Local offices | 100 ^r | 178 ^s | 70 ^t | 461 | 120 ^u | 460 |
| External variables | | | | | | |
| Total area (km ²) | 338 145 | 357 022 | 70 273 | 377 915 | 323 802 | 323 802 |
| Total population (000s) | 5 267 | 82 368 | 4 339 | 127 771 | 4 538 | 4 564 ^v |
| Derived ratios | | | | | | |
| Average area of a local office (km ²) | 3 381.5 | 2 005.7 | 1 003.9 | 819.8 | 2 698.4 | 703.9 |
| Average population in the area of each local office (000s) | 52.7 ^w | 462.7 ^x | 62.0 ^y | 277.2 | 37.8 | 9.9 |
| Average workforce of a local office | 33.5 ^w | 275.0 ^x | 10.7 ^y | 26.1 | 29.2 | 12.0 |

.. Breakdown not available.

- a) Without staff of the Arbeitsgemeinschaften SGB II for the activation of means-tested unemployment allowance recipients. In 2006, the Arbeitsgemeinschaften SGB II had 51 000 staff (including both Bundesagentur – PES – and municipal staff).
- b) Placement: includes functions such as intensive counselling, job-search monitoring and training courses, aptitude testing, registration and supporting operations such as call centres. Placement and ALMP administration: includes also the administration, procurement or contract management of some of the country's main ALMPs (staff implementing ALMPs should not be included). Broad PES: includes also the administration of UI or other main unemployment benefit (the administration of benefits not conditional on availability for work should not be included).
- c) Includes the administration of hiring and some other subsidy payments. Includes the administration of UI benefit payments but not contribution collection.
- d) This entry relates to the organisation Aetat which administered UI benefits but not other benefits, and was formally replaced by NAV at end 2006 but the transition was progressive.
- e) This entry covers the placement function within the new NAV organisation (which includes only half the total staff at local level, see below).
- f) MEE (2008), *Employment Report 2007*, describes the data as "full-time", so part-time staff (about 300) are probably counted on a full-time equivalent (FTE) basis.
- g) Total does not include 495 staff financed by subsidised employment schemes.
- h) Does not include many of the staff in FÁS regional and central support (which supports other e.g. training functions). Includes 311 staff in Local Employment Service (LES).

- i) Total for the former Aetat part of the new NAV as of 1 January 2007; includes 420 part-time employees.
 - j) Approximate estimate for 2006, based on the previous line and the facts that in 1991 80% of Aetat staff worked at local office level [OECD (1993), *The Public Employment Service: Japan, Norway, Spain and the United Kingdom*], and in 2004 Aetat had 3 494 staff in total on an FTE basis [Aetat (2005), *2004 Annual Report: More People in Work, Fewer on Welfare*].
 - k) 3 000 government staff and 2 000 to 3 000 municipal social workers are expected to be working within NAV local offices on guidance, counselling and placement in direct contact with the unemployed, vocationally disabled and social assistance recipients. Another 5 500 people are expected to be working on other functions in the same offices (including administration of non-employment benefits).
 - l) Includes 61 staff in reception centres (for refugees).
 - m) Regional staff data probably relate to Prefectural Labour Bureaus (Japan has 47 Prefectures) but may include other organisations.
 - n) There is no head office of the Employment Office network: data refer to 9 staff in the Labour Institute (training institute for PES personnel) and 335 staff in the Ministry of Labour who supervise this area of labour market policy.
 - o) Including 5 930 employees who work on specific tasks (besondere Dienststellen) such as the IT system.
 - p) Includes 19 staff in the National Contact Centre.
 - q) Aetat county offices, number cited in Aetat (2005), *2004 Annual Report: More People in Work, Fewer on Welfare*.
 - r) Not including 113 other locations: 45-50 small branch offices attached to local Employment Offices, 39 LAFOS for those unemployed for more than 2 years, joint-service points and Job-Seeking Centres.
 - s) There are 178 local employment "agencies" which manage an additional 660 branch/local offices.
 - t) This refers to FÁS-ES offices only, implicitly treating the 120 LES offices as branch offices of these.
 - u) Not including 30-40 locations with a reduced service, part-time or ambulatory presence.
 - v) Data refer to 2007.
 - w) Average per main local office: main local offices deliver services from 2.1 locations on average (see earlier note).
 - x) Average per main local office: main local offices deliver services from 4.7 locations on average (see earlier note).
 - y) Average per main local office: main local offices deliver services from 2.7 locations on average (see earlier note).
- Source: For total area (km²), en.wikipedia.org/wiki/List_of_countries_and_outlying_territories_by_area (including Aland Islands for Finland; all islands except Southern Kuril for Japan; and mainland Norway). *OECD Labour Force Statistics database* for total population. **Finland:** Official reply to the OECD questionnaire on activation policies received on 10/5/2007; and MEE (2008), *Employment Report 2007*, Table 2, pp. 51, 56, and 114. **Germany:** Official reply to the OECD questionnaire on activation policies received on 9/5/2007. **Ireland:** Information supplied by FÁS on 20/12/2007; and Grubb *et al.* (2009), "Activation Policies in Ireland", OECD SEM Working Papers, No. 75. **Japan:** Information from Japanese authorities for the *OECD/Eurostat Labour Market Programme database* (22/3/2006); and in response to the OECD questionnaire on activation policies received on 26/2/2008. **Norway:** Official reply to the OECD questionnaire on activation policies received on 30/4/2007; and Duell *et al.* (2009), "Activation Policies in Norway", OECD SEM Working Papers, No. 78.

Table 2A.2. Total staff of the Public Employment Service,^a selected OECD countries, selected years

| | Finland ^b 2007 | Germany 2006 | Ireland ^c 2007 | Japan ^d 2007 | Luxembourg ^e 2006 | Norway ^f 2009 |
|---|---|---------------------------|------------------------------|---|---------------------------------|-----------------------------|
| Organisations included in this table^g | Employment offices, T&E, MoL, LAFOS, municipal personnel and social service, KELA, Unemployment Funds | BA, Arbeitsgemeinschaften | FÁS, LES, DSFA | Hello Work, Prefectural Labour Bureau, MHLW | ADEM, SNAS, SRAS | NAV |
| Measurement basis (headcount or FTE) | FTE | FTE | FTE | Headcount | FTE | FTE |
| Functional coverage^h | | | | | | |
| Placement only | 4 044 | .. | 967 | 8 579 | 120 | 5 360 |
| Placement and LMP administration | 4 780 | .. | 1 568 | 10 858 | 182 | 7 001 |
| Benefit administration | 1 926 | .. | 1 120 | 3 619 | 43 | 1 641 |
| PES including benefit administration | 6 406 | 109 181 | 2 688 | 14 477 | 225 | 8 642 |
| External variables | | | | | | |
| Employees (wage and salary earners) 000s | 2 169 | 33 259 | 1 743 | 55 230 | 299 ⁱ | 2 231 ^j |
| LFS unemployed 000s | 183 | 4 272 | 100 | 2 570 | 10 | 77 ^k |
| Derived ratios | | | | | | |
| <i>Wage and salary earners per FTE staff member in:</i> | | | | | | |
| Placement only | 536.4 | .. | 1 802.9 | 6 437.8 | 2 494.8 | 416.2 |
| Placement and ALMP administration | 453.8 | .. | 1 111.8 | 5 086.7 | 1 640.7 | 318.7 |
| PES including benefit administration | 338.6 | 304.6 | 648.5 | 3 815.0 | 1 329.3 | 258.1 |
| <i>LFS unemployed per FTE staff member in:</i> | | | | | | |
| PES including benefit administration | 28.6 | 39.1 | 37.2 | 177.5 | 44.4 | 8.9 ^l |

FTE: Full-time equivalent.

.. Breakdown not available.

- a) Estimates are approximate reflecting data gaps, variations in the responsibilities of the institutions that make up the PES in each country and limited availability of data analysing staff by function. The allocation of the available data to the three functional categories shown, *i.e.* placement, LMP administration and benefit administration, is estimated by the Secretariat. Figures for total staff working on PES functions in each institution may also be Secretariat estimates. Where the distribution of staff across functional categories is not directly known it has in appropriate cases been estimated by proportional allocation *e.g.* proportions in earlier year's data are applied to the current year's total or PES head office staff are distributed across functional categories in the same proportions as PES local office staff. Total staff in each functional category in principle include all management and support staff. Where data for part-time staff are available they are counted as a half of a full-time equivalent. Staff hired through a labour market programme which fully subsidises their wage are not included.
- b) Total staff in local Employment Offices, T&E Centres, Ministry of Labour supervision, the Labour Institute (PES staff training) and Reception Centres (for immigrants) in 2007, allocated across functional categories in line with 2006 data for Employment Offices and T&E Centres only. An estimated 9% of these staff work on benefit administration and 7% part-time. Data do not include 495 staff hired through labour market programmes which subsidise their wage. Estimates include 325 municipal staff working within LAFOS and 325 other municipal staff working on the integration of social assistance beneficiaries; 750 KELA staff (1/8 of KELA total staff) working on the administration of Basic Allowance and LMS; and 800 staff in Unemployment Funds.
- c) The total for placement includes FÁS Regional Support and Central Support staff allocated across the FÁS operational divisions (not included in Table 2A.1), and DSFA Facilitators. The broad PES as defined here includes FÁS Employment Services, Community Services and the regional/central staff allocated to Training Services, and excludes 880 staff in Training Services and 221 staff in Services to Business. Estimate includes 311 staff in the Local Employment Service, 140 staff in DSFA Employment Support Services in placement and LMP administration (including administrative and support staff, as well as 40 Facilitators), and 200 Labour Inspectorate and 920 other staff in benefit administration.
- d) Data for local office (Hello Work), regional (Prefectural Labour Bureau) and national (MHLW) staff in 2007, all distributed across functional categories using data for local office staff in 2006.
- e) The staff of ADEM (196 in total, of which 18 are part-timers), with staff in central administration and services for handicapped workers allocated proportionally to the functional distribution of other services; and the staff of the SNAS and SRAS, which administer the *Indemnité d'insertion* (social assistance benefit) with a focus on assisted job-search and work-preparation activities.
- f) Nearly 5 500 staff working on placement, 1 300 on LMP and UI administration, 850 on LMP and rehabilitation benefit administration (estimated from spending on measures active and passive components of this benefit) and 1 000 on LMP and social assistance benefits for those who are employable (50% allocated to LMP administration in each case). Estimates are approximate. A proportion of the staff reported as placement staff may also work on LMP administration. The estimates imply that a significant proportion of NAV staff work on activities (administration of inactive benefits and perhaps social work) outside the OECD definition of the broad PES.
- g) The estimate for total PES staff included only part of the staff of many of these institutions: see the country notes.

- h) Placement includes functions such as jobseeker, vacancy registration and matching, intensive counselling, job-search monitoring and training courses, aptitude testing, and supporting operations such as IT and call centres. LMP administration refers to the administration, procurement or contract management of some of the country's main ALMPs by PES institutions. Benefit administration refers to the administration of UI benefits and other benefits that are conditional on availability for work or participation in work-preparation measures (rehabilitation). LMP administration does not include staff working on implementation (e.g. training instructors, local managers of job-creation projects). Benefit administration does not include the administration of benefits paid without labour market conditionality.
- i) This total includes border workers, and thus exceeds by more than 50% the number of employees who are Luxembourg residents.
- j) Employee data refer to 2007.
- k) 1 December 2008.
- l) Note that most PES clients are not unemployed but vocationally disabled, therefore the figure is *de facto* higher.

Source: Finland: Official reply to the OECD questionnaire on activation policies received on 10/5/2007; MoL (2008), Table 2, pp. 51, 56, and 114; information from Helsinki municipality (assumed to represent 11% of the total in Finland); KELA (2008b), *Annual Report 2007*; ISA (2004), *2003 Annual Report*; and Hedman *et al.* (2003), *Työttömyyskassat 2002: talouden tilasto*, which cites staff numbers (updated using data for the costs of administration which appear in later reports). *Germany:* Official reply to the OECD questionnaire on activation policies received on 9/5/2007. *Ireland:* Advice from FÁS 20/12/2007; and Grubb *et al.* (2009), "Activation Policies in Ireland", OECD SEM Working Papers, No. 75. *Japan:* Information from Japanese authorities for the LMP database (22/3/2006) and in response to the OECD questionnaire on activation policies received on 26/2/2008. *Luxembourg:* Grubb (2007), "Audit du service public de l'emploi au Luxembourg", OECD SEM Working Papers, No. 59; and MIFA (2006), *Rapport d'activité 2006*. *Norway:* Duell *et al.* (2009), "Activation Policies in Norway", OECD SEM Working Papers, No. 78; and *OECD/Eurostat Labour Market Programme database* (measures NO-21, NO-22 and NO-27).

CHAPTER 3

PLACEMENT AND ACTIVATION STRATEGIES IN FINLAND

3.1. Introduction

154. Until late 2008, the labour market in Finland was experiencing strong demand and growing labour shortages. PES reforms over the previous decade included increased use of activation measures such as interview contact, individual action plans and sanctions for refusal to comply with them, and increased rates of participation in active programmes. These reforms, developed in response to very high unemployment in the mid-1990s, were pushed forward as unemployment declined, but structural unemployment remains high. In 2009, the Finnish PES faced the dual challenge of having to continue its long-term reform agenda while also addressing the sharp hike in unemployment due to the global slowdown.

155. Against this background, Section 3.2 describes the job-brokering and related services delivered by the Employment Offices and the more intensive services for the long-term unemployed delivered by the Labour Force Service Centres (LAFOS). Section 3.3 examines employer outreach, services for employers and the handling of redundancies. Section 3.4 outlines the activation measures and their effects on labour market outcomes. Section 3.5 illustrates quantitative trends in relation to job vacancies and placements and various indicators for the market share of the Finnish PES.

3.2. The job-brokering function

Overview

156. As seen in Chapter 2, until recently, the local Employment Office was the main provider of job-brokering services for all groups of jobseekers, including UI recipients, assistance beneficiaries and the disabled. Over the past decade, the municipalities have become more active in job-brokering and some other partly-separate services for different groups of jobseekers have been developed:

- On the one hand, in 2006 Job-Seeking Centres, which provide self-service facilities and personal assistance with using them, were created in the largest local Employment Offices;⁵⁸ and
- On the other hand, starting in 2004 the network of LAFOS offices was set up to cater for the hard-to-place clients. Employment Offices and municipal social welfare offices may both refer clients to the LAFOS.

Placement and counselling activities of the Employment Offices

157. The PES can foster a better match between the demand and supply of labour in a number of ways. For example, by improving publicly-available information about vacancies it can increase the transparency of the labour market; but alternatively, or at the same time, counsellors may actively select jobseekers from the register for referral to a particular vacancy, or select vacancies from the register for a particular jobseeker to pursue.

58. These are partly modelled on the Job Café in Turku, described by Räisänen (2005), although the Job Café in Turku is located away from the town's ordinary Employment Office.

158. In Finland, the PES offers a broad package of co-ordinated services to attract both employers and those searching for jobs to use its services (see below).

On-line service and other self-service information

159. Self-service and e-services are offered on-line and through the Job-Seeking Centres. By the end of 2006, 45 Job-Seeking Centres were operating in the Employment Offices (MoL, 2007a). Their main target groups are employers and jobseekers who are job ready. Jobseekers can find vacancies through the internet but also through traditional notice boards. On the premises, there are help desks and PES officers who provide guidance to jobseekers on how to use the e-services.

160. The Finnish PES has actively promoted the use of on-line services both for employers and for clients seeking jobs, education and training. Notification of vacancies can be sent to jobseekers by e-mail and, since the beginning of 2007, to their mobile phones. Jobseekers can also use the national contact centre (*Työlinja*) which provides information about vacancies, Labour Market Training and Employment Office services. This service can also be used for reporting changes relating to job search and personal information. The national contact centre also updates information about vacancies and Labour Market Training on the teletext pages of YLE (Finland's national public broadcaster).⁵⁹

161. In December 2006, a jobseeker's e-service package entitled "My search" (*Oma työnhaku*) was introduced. The service allows jobseekers to register and update their basic information and job-search data in the Employment Office's client service system (MoL, 2007a). A Curriculum Vitae service (CV Net), launched in 2005, allows jobseekers to post their CVs. Usage of the CV Net service remains low, as only about 1.5% of jobseekers entered their CVs electronically during 2007. A CV Watch service, where employers can search for potential candidates, was established in 2006.

Registration of job vacancies

162. According to the Law on Public Employment Services (1295/2002), "the employer is obliged to inform the PES on major changes in the use of workforce and opening of a new workplace and vacant jobs". However, in practice, since there are no sanctions, it is not considered obligatory to notify vacancies to the PES and the legislation is merely interpreted as a recommendation whereby social partners can suggest or negotiate at sectoral level the notification of job vacancies to the PES. Employers can register a vacancy with the Employment Office through internet as well as *via* the national contact centre. An open on-line form is provided for registering vacancies, and those recruiting frequently can join the so-called "Passari" service, which enables the direct transmission of job advertisements from the employer's recruiting system to the Employment Offices' information system.

163. The share of vacancies posted on the internet has increased substantially. In 2007, more than 236 000 job vacancies were registered on-line compared with just 77 000 in 2004 (MoL, 2005a; and MEE, 2008). These represented 46% of all vacancies registered with Employment Offices in 2007.

Registration for placement

164. In general, jobseekers can register on-line, except that those applying for an unemployment benefit are required to come to the Employment Office within seven days of registering. The information concerning the jobseeker is electronically transmitted to the Employment Office's client service system. Once the jobseeker has registered, his/her job application will be in force for

59. In addition, the MEE has started a project with the Ministry of Education to develop easy-to-use and need-based on-line information, advice and counselling services for adults by 2013.

four weeks. If the jobseeker takes no other action during this period, he/she is usually required to come to the Employment Office in person to renew his/her jobseeker status, although in some cases the Employment Office will renew the status on the basis of a phone call. In 2007, over 53 000 new jobseekers registered on-line. This represented 90% of all new jobseekers⁶⁰ compared with 72% of all new jobseekers in 2006 (MEE, 2008).

Screening and matching of jobseekers to vacancies

165. The development of e-services has meant that a large amount of screening and matching of jobseekers to vacancies occurs more or less independently of the PES staff. Fewer and often no personal interventions are required for most vacancies advertised on the internet service, which are “open”, *i.e.* they contain all the information a jobseeker needs to apply for the job. However, some vacancies are still advertised on a “semi-open” basis, *i.e.* inviting the jobseeker to contact the local Employment Office for employer contact information and perhaps other details.

166. In addition to vacancy matching by self-referral,⁶¹ the PES actively matches jobseekers. An employment officer may directly refer jobseekers to vacant jobs when they first register. Otherwise, the employment officer may make contact with jobseekers by telephone, and perhaps interview them before referral to an employer if it is not clear whether they are suitable for the vacancy. Once a referral has been made, an employment officer can confirm the outcome, either by contacting employers or the referred jobseeker.

167. Overall, the use of a direct referral procedure is not as common as it was ten years ago due to the effectiveness of PES e-services. This change may also reflect the attitudes of Finnish employers who do not usually request pre-selection of candidates.⁶² In 2007, the Ministry of Labour set itself a target of increasing the number of referrals made in Employment Offices. In line with this, in 2007, some 80 800 referrals were made, a substantial increase from 41 500 referrals in 2006.⁶³ These referrals contributed to filling 43 600 vacancies (MEE, 2008).

Job-search training and vocational guidance

168. While there is an objective of immediate placement of jobseekers into vacancies, the PES also has the function of providing guidance and counselling on the long-term development of jobseekers related to education and training. As compared with other countries, vocational guidance services in Finland are particularly well developed (Sultana and Watts, 2006). In the Employment Offices the information and guidance services are provided by vocational guidance psychologists, educational advisers and employment consultants.

60. The statement that the 53 000 on-line registrants were 90% of all new jobseekers (MEE, 2008) implies that there were only 59 000 new jobseekers in total. This concept probably refers to first-time registrants, in contrast to standard employment service statistics [see MEE (2009a)] which reported 31 600 new jobseekers per month at the employment service in 2007.

61. The term “self-referrals” refers to situations where the jobseeker takes the initiative to select and apply for an advertised vacancy without interventions from the PES staff (OECD, 2007c).

62. This may be linked to the fact that the PES provides a separate chargeable service where the employer has more control over the pre-selection of potential candidates. Also self-referred candidates are more likely to be seen by employers as motivated and taking the initiative, even if they are not tightly selected in other respects.

63. The actual number of direct referrals reported by the Ministry is much lower than the estimated number shown in OECD (2007e) in which the referral rate is estimated assuming three persons per vacancy are referred to 20% of the vacancies divided across unemployed jobseekers.

169. Job-search training⁶⁴ is offered in the form of a group service (akin to a job club). During the training, jobseekers familiarise themselves with recruitment practices of employers and identify their own vocational competencies. Jobseekers can also receive help with the practical steps needed to apply for a suitable job and set up or improve their job-search plans. In 2007, 44 000 jobseekers participated in job-search training, the majority of whom (37 100) were unemployed.⁶⁵ The average duration of participation is around 23 days. Jobseekers are obliged to attend such job-search sessions and most jobseekers attend them during their first 5 to 12 months of unemployment.⁶⁶

170. Educational advisors and employment consultants give information on different education and training courses as well as the financing of studies. Advice can be given on a one-to-one basis as well as in training information groups. However, the volume of training and vocational information given by educational advisors has gradually decreased, along with a decline in the number of advisors, possibly linked to the fact that more people access information on education and training options on-line.

171. Vocational guidance and career planning services are more comprehensive and complex. This service is based primarily on discussions between the client and a psychologist on a wide range of issues, including living environment, educational background, work experience and expectations. It is more strategic in nature, as vocational guidance psychologists help individuals to formulate a career plan suitable to their situation. They may use a variety of methods such as work try-outs and medical examinations.⁶⁷ The numbers of vocational psychologists and people served by them have declined over time. In 2007, the vocational guidance service completed 30 000 client guidance processes.⁶⁸ Of these, 45% were with unemployed clients, 21% were with clients aged over 45 (whose share has been increasing) and 19% were with disabled workers (although in total over a quarter of the guidance clients had some medical restriction).

172. In the Employment Offices, about 120 rehabilitation counsellors provide guidance and placement services for disabled jobseekers (MoL, 2006b). A range of support measures for disabled jobseekers are also organised by the vocational guidance and career planning services. Examples include examinations of health status, consultations with experts and (in “work clinics”), work and training try-outs. However, in 2007 only 9% of all disabled jobseekers received such services.

64. Referred to as job-seeking coaching or training in some translations.

65. In PES statistics, the category of “unemployed jobseekers” refers to unemployment benefit recipients or claimants only. The category of registered jobseekers who are not unemployed appears to include people who already have a job and those without a job who either have no benefit or are on another type of benefit (*e.g.* social assistance or incapacity benefit).

66. While jobseekers are obliged to participate in initiatives aimed at ordinary job search, participation in some other sessions dealing with further education and training and programmes such as enterprise start-ups (self-employment) is usually voluntary.

67. Officials from the Vantaa Employment Office told the OECD mission team that jobseekers who remain unemployed upon completion of job-search training sessions will be offered vocational training guidance. For young people, or for persons with health problems, one or two weeks of work try-out are usually proposed.

68. This is what would be expected if half of all first-time registrants (about 60 000, see an earlier note) participate once (regardless of how many jobseeker spells the experience subsequently); although plausibly some people participate two or more times.

Evaluation of placement and counselling services

173. An internal evaluation of the labour market reforms that took place in 2004-06 found that, in the 16 pilot Employment Offices where Job-Seeking Centres were introduced, the average duration of unemployment spells decreased from 19 to 16 weeks, and the use of e-services increased gradually.⁶⁹ More recently Valtakari (2008) concluded that:

“On the basis of the evaluation, especially the early intervention and developing of internet-based services in the employment offices have had a clear causal connection to the prevention of unemployment. Also the reform has been moderately well succeeded in the reduction of structural unemployment. However, there is still a challenge how to activate and place in work those persons who are most difficult to employ. The availability of skilled labour forms a problem the solving of which requires new types of methods”.

174. While the intensification of on-line services can help matching by increasing transparency and providing easy access to vacancy and related information, such procedures may not be suited for disadvantaged target groups. Given that Finland has a high level of long-term unemployment, it would seem logical that the PES counsellor plays an active role both in mediating placements for the long-term unemployed and in the intake of vacancies that are suited to the needs of such groups. Moreover, an active role helps employment officers to understand the needs of employers, allowing better and more-targeted job placement. At the same time, in the current economic downturn, highly-qualified jobseekers who approach the PES for the first time in many years may also require additional advice or information delivered through trained job counsellors even where vacancy listings are readily accessible.

175. Furthermore, while Finland has invested significant resources into its vocational guidance services, it needs to be kept in mind that in the case of the longer-term unemployed, benefit eligibility criteria require the acceptance of any reasonable job. Vocational guidance does not contribute to the implementation of a work-first approach and may conflict with it since vocational guidance psychologists do not make job referrals. Probably for this reason, employment services in many countries provide intensive employment counselling, but do not have a true vocational guidance function located in the ordinary Employment Offices. Nevertheless, investments in the vocational guidance services may help the long-term unemployed to overcome barriers to work and increase their employability.

Activities of the labour force service centres (LAFOS)

176. As noted above, a second type of partly-separate service now caters for hard-to-place clients. A key element in this is the integration of the resources of municipal social welfare offices and the Employment Offices in separate units known as the labour force service centres (LAFOS).

177. The target group of the LAFOS is not precisely defined. One main target group is the very long-term unemployed on LMS who have been unemployed for 500 days (100 weeks), or 680 days (136 weeks) if they started unemployment on Earnings-related Allowance.⁷⁰ However, Employment

69. Internal evaluation was based on the following indicators: *i)* new jobseekers registered *via* the Internet; *ii)* unemployed jobseekers who have released their CV on the Internet; *iii)* applications for Labour Market Training *via* the Internet; *iv)* vacancies registered by contract employer clients; *v)* vacancies released on the Internet; *vi)* average length of unemployment spells (weeks); *vii)* unemployment periods expired within 3 months; *viii)* unemployment periods longer than 12 months; *ix)* individual job-search plans carried out for those entitled; *x)* length of vacancies being open (days); and *xi)* new employer clients.

70. Labour Administration financing for the creation of a LAFOS was made dependent on the number of customers who have been unemployed for a minimum of two years in the operating area (Toppila, 2006).

Offices refer clients with multiple problems such as drug and alcohol abuse and lack of housing, who need intensive counselling and social services as well as ordinary job broking. Municipal social services refer social-assistance clients who are potentially employable, with those who have received income support for 12 months as a special target group.⁷¹

178. At the LAFOS, the client is first seen jointly by an employment officer and a social worker who carry out an initial assessment of the client's state of health and vocational background, and an individual activation plan is drawn up.⁷² Depending on individual circumstances, the client's later contacts may be mainly with the employment officer or mainly with the social worker. The LAFOS may try to identify a suitable job in the open labour market, probably with the offer of a hiring subsidy to the employer. Most often, the activation plan includes different social services, employment services, youth workshops and work practice, training and rehabilitation, which the LAFOS purchases from municipalities, state organisations, and third-sector organisations.

179. LAFOS client numbers have increased with the increase in the number of LAFOS offices, from an average of 12 700 in 2003 to around 23 500 in 2007. Of these clients, in 2007 around 13 000 (55%) were "unemployed", which corresponds to 6% of the total number of unemployed jobseekers at the Employment Service.⁷³ Other indicators include the number of clients who started Rehabilitative Work, which doubled from 2 100 in 2004 to over 4 200 in 2006 and the number of activation plans set up by the LAFOS, which rose from 3 200 in 2004 to 10 600 in 2006 (Avikainen, 2008).

180. In 2006, around 30% of LAFOS clients were jobseekers with disabilities. Table 3.1 shows the proportion of all jobseekers with disabilities (not only LAFOS clients) who were placed in active measures. The sharp increase in the numbers in subsidised jobs and work try-outs, practical training and preparatory training for working life in a workplace in 2006 possibly reflects growth in the LAFOS client group, together with the financing of 10 000 additional places in active measures for clients on LMS benefit for more than 100 weeks (announced in MoL, 2005b).

Table 3.1. **Jobseekers with disabilities in active measures, Finland, 2005 and 2006**

| Levels in units | | |
|--|---------------|---------------|
| | 2005 | 2006 |
| Jobseekers with disabilities | 91 000 | 91 600 |
| <i>Of which</i> | | |
| Unemployed | 67 000 | 66 900 |
| In active measures, total | 68 000 | 74 000 |
| Placed in the open labour market | 43 900 | 44 000 |
| Started labour market training | 6 800 | 7 700 |
| Started other training | 1 200 | 1 200 |
| Placed in a business through pay subsidy | 4 300 | 6 000 |
| Placed in the public sector through pay subsidy | 3 900 | 4 900 |
| Placed in a work try-out, practical training or preparatory training for working life at a workplace | 7 900 | 10 000 |

Source: Government of Finland (2008), "Third Report on the implementation of the Revised European Social Charter", Council of Europe, RAP/RCha/FI/III(2008), 11 February.

71. Employable social-assistance clients typically qualify for LMS and thus receive only top-up payments of social assistance. The LMS financing reform of 2006, discussed elsewhere in this report, increased the incentive for municipal activation in this case.
72. According to the 2001 Act on Rehabilitative Work Experience, the activation plan should be made jointly by the case workers of the social office and the PES office (who now will often both be working in the LAFOS), together with the client.
73. The other 45% of clients – described as "jobseeker clients" but not "unemployed" – are probably those on another type of benefit (social assistance or an incapacity benefit).

181. Although the LAFOS and related policy reforms promoting the activation of the long-term unemployed have increased the rate of participation in active measures for some of the hardest-to-place groups, this has not been possible for all clients. LAFOS officials indicate that some people in the defined target group are not referred to the LAFOS on the grounds of limited ability to work or participate in measures. The LAFOS also, for such reasons, send some clients who were initially accepted back to the Employment Office or the municipality, and its case work can in some cases lead to passive solutions (e.g. disability pensions) for clients rather than active ones.

3.3. Employer outreach, services for employers and redundancies

Employer outreach in relation to placement services

182. In recent years, Employment Offices have devoted more resources to employer services. In 2006, a project was launched to improve employer services in order to meet the demand for skilled labour. Accordingly, “goal-oriented visits” to employers were made to identify employer needs, increase awareness of PES services and obtain recruitment assignments. In 2006, employment officers made around 21 000 visits, and 8 800 of these visits led to either reporting of a vacancy or another assignment (perhaps the use of “specialised commercial services”) (MoL, 2007a). In 2007, numerous recruitment events were also organised in the recently-introduced Job-Seeking Centres (MEE, 2008).

Payable services for employers

183. While basic services such as vacancy advertising and the search for potential jobseekers are free of charge, the Finnish PES has also developed specialised services which employers pay for. These include tailored placement services, recruitment (selection and screening of jobseekers), outplacement, advice on company training and personnel hire. In 2006 and 2007, the profits from personnel hire, which involves the Employment Office playing the role of a temporary work agency, exceeded EUR 10 million, whereas profits from the other activities totalled less than EUR 2 million. Officials indicated that competition with private companies mainly occurred in the area of personnel hire. In some cases of international recruitment, employers prefer to use PES offices as they have official contacts. For example, the Finnish PES offices have established good co-operation with PES organisations in the Russian Federation, the Baltic republics and China.

184. The above procedures have the advantage of improving linkages with employers, acquiring know-how and deeper understanding of the personnel policies and the problems of private enterprises. This in turn should help to overcome job mismatches and facilitate adjustment processes in the labour market more generally. Closer co-operation is even more fundamental in times of recession and a shrinking vacancy market.

Industrial restructuring and Change Security

185. In response to a surge in company closures resulting in large-scale redundancies in Finland (see Kuusisto, 2004), a measure called “Change Security” (*Muutosturva*) was put into place in 2005, targeting people who lose their jobs due to structural changes. The initiative emphasises greater co-operation between Employment Offices and the private sector, which should help displaced workers to return to work as quickly as possible through measures such as early intervention, training, and job-search assistance.⁷⁴

74. Parties to the operational model include the employer, the employee and the Employment and Economic Development Offices (T&E Centres). In 2007, about 1% of Employment Office staff

186. The model covers employees who *i*) have been dismissed for economic reasons and have at least 3 years of service with the same employer or different employers; or *ii*) have been on fixed-term employment contracts with the same employer for a minimum of 36 months within the last 42 months; or *iii*) resign after having been temporarily laid off for at least 200 days without interruption.⁷⁵ It entitles those covered to:

- Employment leave (5-20 days paid by the employer)⁷⁶ during the notice period without a reduction in earnings (conditional on job search);
- An Employment Programme plan within 30 days after the termination of the job, leading to participation in an employment programme; and
- A higher rate of Unemployment Allowance – also known as the Employment Programme Supplement – which is only paid during participation in measures specified in the employment plan, and during independent job search for a maximum of 20 days after the termination of employment and a further 7 days for periods of independent job search between two periods of programme participation. The higher rate can be granted for a maximum of 185 days in total (MoL, 2007b). The increase is substantial: *e.g.* when the monthly gross pay is EUR 2 000, the regular rate of Unemployment Allowance is 56% of gross pay and the higher rate is 70%.

187. The employer is obliged to prepare an “employer’s action plan” setting out the planned use of employment services and his/her efforts to promote employee training and job search. In turn, the Employment Office is responsible for providing guidance to employers about the scheme and related matters. For instance, if the employer decides to use private outplacement services rather than the Employment Office, the expert working on Change Security can provide information about the range of private providers.

188. In 2007, 18 600 individual employment plans were made within the Change Security scheme (15 000 in 2006). However, in 2007 only about 10 000 people started a spell with the employment programme supplement in addition to Unemployment Allowance for up to 20 days, and less than half of them started on supplement in addition to Labour Market Training Subsidy (the payment made during participation in a programme).⁷⁷ This suggests a high drop-out rate, although information directly available on this is limited:

worked in the expert network of Change Security officials (see Table 2.1 and Arnkil *et al.*, 2007), and around EUR 19 million was spent on implementing labour force training under the Change Security measure. In response to the current economic crisis, an additional EUR 7 million is allocated for employment and training measures to support the re-employment of laid-off workers, and EUR 1.2 million is granted to T&E Centres to increase their capacity to handle the temporary potential higher workload under the Change Security model.

75. In cases of dismissals of more than 10 employees, the Employment Office often the employment office often organises a separate employment service–unit in the premises of the company (Rantakaulio, 2008).

76. However, paid leave does not apply to employees on fixed-term contract.

77. Payment of the employment programme supplement was also authorised for 1 100 people who had already started training (see MEE, 2008, pp. 57 and 208). KELA and ISA (2008, Table 12) report that in 2007 there were 12 292 recipients of an employment programme supplement who received it for an average of 46.7 days, of whom 9 277 received it as a supplement to Earnings-related Allowance for an average of 18.4 days and 5 556 received it as a supplement to Labour Market Training Subsidy for an average of 72.5 days. Figures cited here are estimated from this information, taking into account that *i*) the “recipients” totals reported include people whose spell started in 2006 and continued into 2007; and *ii*) the average days reported include only days in 2007, *i.e.* they exclude some of the days in spells that started in 2006 or ended in 2008.

- It is not clear how many people are eligible for the Change Security programme, but decide not to participate in drawing up an employment plan;
- Non-transition from the employment plan to the employment programme supplement may arise due to participants rapidly finding a new job; and
- Those who receive the employment programme supplement for 20 days but do not start on the higher rate of Labour Market Training Subsidy have probably dropped out (*i.e.* reverted to the standard rate of Unemployment Allowance) – however, there might be a practice of scheduling subsidised work to start at precisely this point.

189. Arnkil *et al.* (2007) report that the measure has been overall successful in improving co-operation in redundancy situations, increasing the level of participation in active measures⁷⁸ and speeding up the re-employment of those made redundant. This result is also supported by an empirical analysis that compares the performance of participating workers with similar workers who did not participate. The authors' only criticism is that knowledge and information has not been disseminated sufficiently among SMEs and that the public sector lags behind in implementing the measure.

190. While the Change Security programme provides earlier and more intensive assistance for the displaced workers, there is a risk that some of its positive outcomes come at a cost in terms of diverting some of the available resources away from other target groups. Also, in a recession there may be a shortage of places on active programmes. The 20-day limit on passive receipt of the employment programme supplement is important for ensuring that this supplement functions mainly as an active measure.⁷⁹

3.4. Activation strategies

191. Traditionally, activation of the unemployed has been the responsibility of the central state, with the Employment Offices especially from the late 1980s organising subsidised work, training and rehabilitative measures (Hanesch and Balzter, 2001).⁸⁰ In the 1990s, with much higher unemployment, policy-makers sought to develop activation measures of various kinds.

192. Two major reforms took place in the late 1990s and early 2000s. First, a comprehensive labour market reform was prepared between December 1996 and May 1997 defining the rights and responsibilities of the unemployed. Second, in 2001, the activation approach was extended with a particular focus on social-assistance recipients and the municipal role. Box 3.1 provides more details on the history of activation in the 1970s and 1980s and major changes that occurred until 2001.

78. According to the statistics cited above, about a quarter of the Change Security individual employment plans lead to rapid entry to Labour Market Training. In the absence of Change Security, rates of entry to Labour Market Training in the first months of unemployment are probably relatively low (as they were in data for 1995 to 1998 examined by Koskela and Uusitalo, 2004).

79. The measure partly resembles Luxembourg's 2006 "*maintien dans l'emploi* (maintenance in employment)" measure, on which employment counsellors reported: "...the employees of Monopol are all conscious, each and every one, that they are entitled to benefits for a period between one and two years roughly, with no obligation to work. This is an extremely seductive incentive to not get implicated [in the placement process] which risks provoking and supporting strategic behaviour oriented in directions other than job search (family, care for children, for example; hedonistic behaviour, avoid the effort of starting a new job, etc.). There is an eminent risk of becoming distanced from the labour market..." (ADEM, 2007, p. 132).

80. Lilja *et al.* (1990, Figure 33) show that, following growth in the 1970s, until 1988 expenditure on selective employment measures was about 0.4% of GDP and expenditure on Labour Market Training was about 0.3% of GDP.

Box 3.1. History of activation measures to 2001

The job guarantee for the long-term unemployed

In the 1970s and 1980s, subsidised work and Labour Market Training, along with direct referrals of jobseekers to vacancies by the Employment Offices, were regarded as the main tools able to limit unemployment. According to Lilja *et al.* (1990), the 1987 Employment Act, which introduced in principle a legal obligation for employers to notify job vacancies and the guarantee of a subsidised job for the long-term unemployed, expressed this perspective. Since subsidised jobs paid market wages for 6 months, and generated entitlement to a new period of Earnings-related Allowance, this left little incentive to search for unsubsidised work for many long-term unemployed with modest earnings expectations. The guarantee of a subsidised job after 12 months was dropped in late 1992, but at first subsidised jobs were still usually offered before benefit exhaustion at 23 months. After 1994, when the nationally-financed unemployment assistance (LMS) benefit was created, some UI spells were allowed to expire without the claimant being offered a subsidised job, resulting in a transfer from the Earnings-related Allowance to the LMS. From 1997, the possibility of renewing UI entitlements by participating in a subsidised job was restricted and the volume of subsidised jobs offered was progressively reduced. These changes increased the incentive for the long-term unemployed to search for unsubsidised work.

Job-search requirements

The Unemployment Benefit (also called Unemployment Security) Act of 1984 states (in line with legislation going back to 1934) that "Recipients must be registered at the employment office, seek (full-time) employment, as well as accept suitable jobs (with regard to their skills) if offered". However, Finland had little tradition of specific requirements to implement the principle of active job search. The client was not expected to search for himself or herself, especially since under the 1987 Employment Act in theory all vacancies had to be registered at the Employment Office and the government (in the last resort, the municipality) was, if the unemployment spell reached a duration of 12 months, obliged to provide a subsidised job.

In 1997, a major labour market reform took place largely based on a report prepared by Räsänen and Skog (1998: the Finnish version was published a little earlier). The encouragement of independent job-search was the most important proposal in the report. The authors proposed that the job-search plan prepared in the first fixed-term interview (to take place before five months) should be "supported by well-packaged job-seeking booklets for unemployed job-seekers", but Employment Offices found this procedure not at all useful (Räsänen, 2004) and it was dropped. Van Gerven (2008) reports that "the search for work has, however, become more of a responsibility for the claimants, rather than a duty for the municipalities as it was earlier", but does not report the introduction of a legal requirement to produce evidence of job search. Overall, job-search monitoring in the late 1990s or early 2000s remained scattered and imprecise.

Participation in employment service processes

Prior to 2001, clients (with the possible exception of those aged 50 and over) could not refuse an offer of a job or Labour Market Training from the employment service, but it seems that they were not obliged to participate in offers of intensive case management from the Employment Office. According to Ala-Kauhaluoma *et al.* (2004, as cited by Walther and Pohl, 2005), "One new aspect with the Act of Rehabilitative Work Experience (2001) is that the unemployed are obliged to participate in an individual service process, not only simply an education or job-offer as has been the case".

Job-search plans and fixed-term interviews

According to the 1984 Act, the unemployed were "obliged to compose a work search plan at the beginning of their unemployment spell where the claimants personal situation (education, work history) is reviewed and steps to find work are planned" (Van Gerven, 2008). However, in practice a job-search plan with all these elements was not often implemented at the beginning of unemployment spells. The Government Plan of 1997 included the establishment of job-search plans after five months of unemployment, with later interviews with jobseekers to take place at fixed intervals (11 months, 17 months, 23 months, 35 months, and 47 months of unemployment). But Peer Review (1999) did not mention an interview at 17 months, and literature after 1999 no longer mentioned schedules for fixed-term interviews.

Box 3.1. **History of activation measures to 2001** (*cont.*)***Referrals of LMS recipients to labour market programmes***

Prior to 1996 there was no provision for sanctions in the social-assistance system, so that if LMS was reduced as a sanction, social-assistance legislation could be interpreted as requiring municipalities to make an offsetting increase in the individual or family's social assistance income. Related to this, the Employment Offices hardly ever referred adult LMS recipients (those aged 25 or more) to a programme or, it seems, activated them in other ways, and for this group LMS became in effect an unconditional basic income payment. The legal principle of social-assistance sanctions, making it feasible to implement activation measures for LMS recipients, was introduced in 1996 and 1998 (see Chapter 4).

For those on LMS, Räsänen and Skog (1998) proposed that within two months after exhaustion of the Unemployment Allowance (after 500 days, 100 weeks) a new "active period" should begin in which the jobseeker should "always have the right to be included in the target group of active labour market policy measures whenever feasible", and proposed the creation of a new "Combined Subsidy" (hiring subsidy) for this group. This provided work mainly in the "third sector" (non-market jobs) and participation seems to have been voluntary.

The 2001 Act on Rehabilitative Work Experience (KUTU) focused on tailored activation of the young and long-term unemployed. This Act made the PES and municipalities jointly responsible for its implementation in the following way:

- If the unemployed person was a social-assistance client, the local PES office and the municipality became jointly responsible for making the "activation plan" together with the client. The labour authorities tend to be interested in employing people on the open market, while social welfare services aimed to help people maintain and recover control over their lives (Genova, 2008; and Heikkilä and Keskitalo, 2002); and
- Municipalities were made responsible for arranging Rehabilitative Work Experience for the client, if this has been stated in the activation plan. Participation in rehabilitative measures was made obligatory for persons under 25 years of age. For adults, referrals to employment programmes other than Labour Market Training were not made obligatory. But since the LMS reform of 2006 they may be obligatory, when included in the activation plan.

In the 2001-03 period, there was considerable variation in implementation across the local municipalities and Employment Offices, and evaluations found that participation in the activation-plan process had no short-run impact on employment in the open labour market (Keskitalo, 2005). However, the author argues that this may be due to the high overall rate of unemployment which may have hampered employment prospects in many areas. Nevertheless, the majority of the participants in the survey regarded the activation plan as personally significant.

Source: As referenced in the text.

Current activation measures

193. This section outlines the interventions used by the Finnish PES to activate the unemployed in recent years.

Employment counselling interviews and individual action plans

194. The first (registration) interview takes place within two weeks. A second interview takes place within one month (previously, the period was three months) and involves setting up the initial job-search plan (see Table 3.2 for more details on job-search plans). In contrast to some other OECD countries, Finland does not have a fixed schedule for interviews later during the unemployment spell.⁸¹ Employment officers at PES and LAFOS have much discretion in deciding the frequency of the intensive interviews by mutual agreement between the PES and the jobseeker. At the time of the visit

81. Attempts in Finland at introducing a fixed schedule for interviews in 1998 and 1999 are described in Box 3.1. See OECD (2007c) for information on the scheduling of fixed-term interviews in other countries.

by the OECD mission team, officials at the Vantaa Employment Office indicated that during the first three months people are asked to visit the PES every four weeks.

Table 3.2. Individual action plans in Finland

Contractual agreement between the unemployed and the respective labour or social welfare authorities in the form of Individual action plans is a useful way to ensure that jobseekers are making job-search efforts and are meeting activity requirements. The introduction of Job-search plans was the main activation instrument in the 2001 reforms. Since then, Finland has developed a range of individual action plans with varying names for different client groups which are outlined below.

| Type of job-search plans | Objectives |
|--|---|
| Initial job-search plan | This plan is prepared for all jobseekers including the short-term unemployed. However, no obligatory measures are included in this plan and in general there are no rules as to when the plan is implemented. |
| Individual job-search plan and Updated individual job-search plan | This plan provides the basis for participation in active labour market programmes, and the jobseeker has the duty to implement the measures aiming at employment listed in the plan. Individual job-search plans may be revised from time to time, reflecting changes in the jobseeker's situation and the type of measures offered by the employment officer, in which case the plan would be known as the "Updated individual job-search" plan. In general these are prepared for persons suffering from prolonged unemployment, but who have not yet reached 500 days. |
| Activation plan | If individuals remain unemployed after 500 days on LMS or 180 days on LMS following 500 daily allowances, the Employment Office draws up an activation plan with the client which includes guidance towards rehabilitative employment. The fulfilment of actions in the activation plan is a condition for receiving a daily Unemployment Allowance and LMS. While non-fulfilment of actions documented in these plans can lead to sanctions, it is difficult to say whether sanctions have been implemented vigorously in such cases. For social-assistance clients who have received social assistance in 12 of the preceding 13 months, an activation plan is drawn up jointly with the local employment office and the social welfare office. Activation plans are set up within 3 months for social-assistance applicants under 25 years of age. The activation plan may include, according to individual needs, different measures of social services, employment services, training or different rehabilitative measures. The activation plan may also include rehabilitative work experience as a last alternative, if other measures are not suitable for the person's needs. Persons under 25 years of age must take part in rehabilitative measures. Those over 25 years of age are not obliged to take part in rehabilitative measures, but can be obliged to participate in other training and employment programmes. |
| Integration plan and Employment Programme plan | The <i>Integration</i> plan is made for immigrants, while the <i>Employment Programme</i> plan falls under the "Change Security" model for jobseekers who become unemployed due to plant closures (see details in Section 3.3 in this report). The integration plan also has to be signed by the welfare office, if the municipality has been involved in the process. |

Overview

In 2007, a total of 399 000 different plans were prepared, nearly double the 228 500 prepared in 2004. Individual job-search plans account for nearly half the total (48%), followed by Initial job-search plans (30%), Activation plans (9%), Updated individual job-search plans (5%), Employment Programme plans (5%) and Integration plans (3%). The share of activation plans within the total has remained constant over the last four years at around 10%. The biggest increase has been in the share of Individual job-search plans (MEE, 2008).

While the increase in the share of individual job-search plans which can imply an obligation to participate in a labour market programme may indicate more effective activation of the unemployed, it is also important to consider whether the PES follows up on these plans efficiently. Aho *et al.* (2006) evaluate the follow-up of the "making, realisation and eventual updating of jobseekers' Individual action plans" (this refers to the Individual job-search plan). The study shows that the plan was made during the first five months for only half of all clients, and for one-fifth of clients the plan was not made even after a long unemployment spell (although in most such cases an old plan from an earlier spell did exist). The plans did not always mention participation in active programmes, but participation in a programme began within 12 months in about one half of the cases where this had been stated as the main goal in the plan. PES officials considered the plan to be helpful for finding the path towards the open labour market, or for the accurate targeting of information concerning jobs or other relevant services.

195. Since the first intensive interview with the jobseeker does not take place for up to a month, time is lost for potential job referrals and possible matches. By comparison, in a number of countries, such as Australia, and the Netherlands, the first intensive interview takes place at registration, along with profiling and the creation of individual action plans (OECD, 2007c). From this point of view, greater efforts are needed to intervene at early stages of the unemployment spell.

Profiling

196. A pilot experiment of profiling launched in December 2006 is now operating nationally and has become a feature of the IT systems of the employment offices. The profiling tool provides a statistical estimate of the probability of jobseekers becoming long-term unemployed and thus helps officers to assess which clients need special support in job search. In connection with the job-search interview, the jobseeker's service requirements are assessed and recorded in the Employment Office's information system. The purpose of this procedure is to speed up the placement of jobseekers on the open labour market, and to help Employment Offices plan related services and operating methods. However, the use of the profiling tool is not mandatory. While it is too early to assess ability of the tool in predicting the incidence of long-term unemployment and the services required, preliminary results from the pilot project show that, in 2007, around 35% of jobseekers were considered to be in need of services that develop working life skills, while 25% were considered to be in need of information services (MEE, 2008).

Reporting and monitoring of job search

197. As mentioned in Box 3.1, the 2001 Act on Rehabilitative Work Experience introduced a requirement to participate in Employment Office service processes, but it is not clear that this included an obligation to report independent job search. According to information provided by the Finnish authorities to OECD (2007c), the unemployed person must report their job-search actions to the PES with a frequency between once a week and once a month, or follow-up can be done over the phone or by email: individuals who are registered on-line can report their status on-line. However there seem to be no guidelines as regards the frequency of job applications or other job-search actions, etc.

Referrals to labour market programmes

198. Referrals to Labour Market Training and probably ordinary subsidised work (paying a regular wage) could well be included in the individual job-search plan mentioned above. Since the LMS reform of 2006, it seems that the Activation Plan established after 100 or 136 weeks can include programmes such as on-the-job training (where the participant is not paid a regular wage).

Job-search intensity and structural unemployment

199. A recent development in the analysis of labour market policies is the documentation of job-search activity using time-use diaries. The Harmonised European Time-Use Survey (HETUS) in 1999-2000 for Finland included time-diaries kept by the unemployed for 407 days of unemployment. Only for 1 day in 20, on average, was any job-search activity. The respondents reported spending only three minutes per day on job search on average, including the days with no search. This was the lowest incidence of job-search reported among the 12 OECD countries for which data are available. The unemployed in Belgium, Germany, Sweden and the United Kingdom reported an average five to seven minutes, and other countries considerably more (Table 3.3). The very low level of job-search activity in Finland is likely to reflect the lack of clear job-search requirements and of job-search monitoring. Another factor might be the tariff wage structure which implies that, for jobseekers who limit their search to a particular occupation and industry, it often may be difficult to obtain a significantly higher wage through more extensive job search.⁸²

82. Krueger and Mueller (2008) highlight that job-search intensity tends to be higher in countries with high wage dispersion.

Table 3.3. Incidence and average duration of job search reported by unemployed people in time-use diaries, 14 countries

| | Survey ^a | Survey date | | Participation | Average time spent |
|----------------|---------------------|------------------|--------------|------------------------|--------------------|
| | | | | in job search | on job search |
| | | | | Percentage of all days | Minutes per day |
| Austria | Original, MTUS | 1992 | ^b | 12.9 | 10.6 |
| Belgium | HETUS | 1998-2000 | | 8.0 | 6.0 |
| Bulgaria | HETUS | 2001-02 | | 9.0 | 12.0 |
| Canada | MTUS | 1992 | ^b | 16.3 | 32.4 |
| Canada | MTUS | 1998 | ^b | 14.6 | 26.5 |
| Finland | HETUS | 1999-2000 | | 5.0 | 3.0 |
| France | Original, HETUS | 1998-99 | ^b | 18.6 | 19.9 |
| Germany | Original, MTUS | 1991-92 | ^b | 7.4 | 5.6 |
| Germany | Original, HETUS | 2001-02 | ^b | 7.6 | 7.0 |
| Italy | Original, HETUS | 2002-03 | | 8.0 | 9.6 |
| Poland | HETUS | 2003-04 | | 10.0 | 11.0 |
| Slovenia | HETUS | 2000-01 | | 7.0 | 3.0 |
| Spain | Original, HETUS | 2002-03 | | 10.1 | 17.3 |
| Sweden | HETUS | 2000-01 | | 11.0 | 5.0 |
| United Kingdom | Original, HETUS | 2000-01 | | 9.8 | 6.3 |
| United States | Original | 2003-06 | | 19.8 | 31.8 |

a) **Original**: Original micro time-use data files from the government statistical agencies or data archives; **MTUS**: Multinational Time Use Study; **HETUS**: Harmonised European Time Use Survey.

b) Unemployed defined as self-reported unemployed; elsewhere unemployed defined as not working, actively seeking work and available for work.

Source: Krueger and Mueller (2008), "The Lot of the Unemployed: A Time Use Perspective", IZA Discussion Papers, No. 3490, Table 6.

200. It is not known whether job-search intensity in Finland, according to this type of measure, increased after 1999-2000. Although this was after the policy reforms of 1997 and 1998, the long-term impact of those reforms may not have been felt by then. The increase in job vacancies in the 2000s, the 2001 Act and the LMS reform of 2006 (see below) may all have encouraged an increase in job-search intensity. However the ratio of unemployment benefit recipients to labour force survey unemployment declined only slightly between 2000 and 2007 (see Table 4.3 in Chapter 4), which suggests that job-search intensity among unemployment benefit recipients did not change much.

201. A key objective of the reforms of the Finnish PES has been to reduce structural long-term unemployment. Table 3.4 shows official estimates for structural long-term unemployment, using a definition that includes not only people whose current spell of unemployment has lasted for more than a year but also those who have history of repeated unemployment, were recently in a labour market measure, or are in a labour market measure and have a history of repeated participation in measures. According to these estimates, 55% of the broadly-defined unemployed were structurally long-term unemployed at the end of 2006. This seems a fairly high proportion. Figures on a comparable basis for other countries are not available, although repeat unemployment and not only long-term unemployment is clearly a widespread problem in other countries, as is long-term unemployment.⁸³ Structural long-term unemployment in Table 3.4 fell quite rapidly from 2004 to 2006, and slightly faster than total unemployment, confirming that many in this group can get back into work with the right labour market conditions and policies.

83. In 11 European countries in 1995, 46% of the unemployed were long-term unemployed (*i.e.* they had been unemployed continuously over the previous 12 months), but a further 28% of the unemployed had experienced 12 months' unemployment in total over the previous 24 months (OECD, 2002, Table 4.3).

Table 3.4. Indicators of structural unemployment in Finland, December 2004 to December 2006

Levels in units

| | Dec. 2004 | Dec. 2005 | Dec. 2006 |
|---|----------------|----------------|----------------|
| Long-term unemployment | 75 734 | 70 401 | 58 943 |
| Repeated unemployment | 42 559 | 42 030 | 38 794 |
| Unemployment after labour market policy measures | 43 258 | 39 989 | 29 987 |
| Persons covered by repeated measures | 12 183 | 10 868 | 11 371 |
| Extensive structural unemployment | 173 734 | 163 288 | 139 095 |
| Total unemployment^a | 306 632 | 287 676 | 252 484 |
| Extensive structural unemployment as a percentage of total unemployment ^a | 57 | 57 | 55 |

a) Total unemployment refers to recipients of Unemployment Allowances, LMS and Integration Assistance, including recipients of benefits participating in active measures, at the end of the year.

Source: Government of Finland (2008), "Third Report on the implementation of the Revised European Social Charter", Council of Europe, RAP/RCha/FI/III(2008), 11 February; and KELA and ISA (2008), *Statistical Yearbook on Unemployment Protection in Finland 2007* for total unemployment.

Recent reforms for the long-term unemployed on Labour Market Support (LMS)

202. Following the 2001 Act on Rehabilitative Work which was largely focused on LMS and social- assistance recipients, MoL (2005b) proposed additional changes for LMS recipients. First, a new activation period was introduced for those who had received LMS for 100 weeks, or after 36 weeks for those who had transferred to LMS after their Unemployment Allowance had expired. For individuals in this group participation in "employment-promoting measures" for at least two years out of four was proposed,⁸⁴ and their rate of participation in active measures was to be increased from 20% to 30%, with a stock of 30 000 programme places allowing an inflow of 60 000 participants per year. Second, as noted in Chapter 2, the 2006 reform obliged municipalities to finance 50% of the cost of LMS payments for this group.

203. Table 3.5 shows that the "activation rate" increased sharply from 2005 to 2007. The target 30% rate of participation in active measures by this group was nearly achieved in 2006 and was largely exceeded in 2007. The increase was mainly attributable to a sharp fall in the number of passive LMS recipients, since the objective of 30 000 participants in active measures was not quite met. In January to September 2007, 16 900 (63%) of those taking part in active measures were in subsidised work, 3 700 (14%) in labour force training, 3 000 (11%) in preparatory training for working life, 2 700 (10%) in Rehabilitative Work and 400 (2%) in other measures (MEE, 2008). While it is important that the unemployed should participate in active labour market programmes, some programmes promote entry to the open labour market more effectively than others (see also Chapter 5).

204. Overall, the reform of activating individuals in receipt of LMS for more than 100 weeks is in the right direction and is in line with the trend of activation of the long-term unemployed in other countries. Success is likely to depend not only on rates of participation in active measures but also the quality of LAFOS assistance and follow-up sanctions in case of insufficient job-search efforts. However, the application of activity requirements only after 500 days (100 weeks, 23 months) of unemployment is not in line with good international practice. For example, in Denmark, social-assistance claimants over 30 years of age receive an offer after 9 months of unemployment (the same as for UI benefit recipients: Kvist *et al.*, 2008).

84. This part of the proposal was not implemented.

Table 3.5. Outcomes of the LMS reform, Finland, 2005-07

Levels and percentages

| | 2005 | 2006 | 2007 ^a |
|--|--------|--------|-------------------|
| Recipients of subsidy for at least 500 days on the basis of unemployment | 93 946 | 84 079 | 77 543 |
| <i>Of which:</i> | | | |
| During unemployment | 75 475 | 61 020 | 50 826 |
| During active measures | 18 472 | 23 059 | 26 716 |
| Activation rate ^b | 19.7 | 27.4 | 34.5 |

LMS: Labour Market Support.

a) Data for January to September.

b) Calculated as the number of people in active measures divided by the total number of LMS recipients.

Source: Government of Finland (2008), "Third Report on the implementation of the Revised European Social Charter", Council of Europe, RAP/RCha/FI/III(2008), 11 February for 2005 and 2006 data; and MEE (2008), *Employment Report 2007* for 2007 data.

Activation measures for young unemployed people

205. As seen in Chapter 1, unemployment rates have remained relatively high among youth (15-24). Finland has a long history of "youth guarantees". A youth opportunity guarantee scheme was introduced in 1981 as a pilot project in 29 municipalities, and was expanded to 64 by 1983. The idea was to offer all young people a place in upper secondary education or an "ordinary" job or, if this was not possible, a place in special measures, mainly work introduction places at state and municipal workplaces. The government decided to extend it nationwide from the beginning of 1984. At first, there were increasing difficulties in implementing the guarantee, but from 1988 to 1992 (under the 1987 Employment Act, described in Chapter 4) if a place in education or the ordinary labour market had not been found after three months, municipalities were legally obliged to provide a work or trainee place for a six-month period for all young people under 20 (Lilja *et al.*, 1990; and Hummeluhr, 1997). At that time, six months was the contribution period required to qualify for Earnings-related Allowance.

206. In August 1992, the three-month unemployment requirement was extended to six months, but from the beginning of 1993, with the general abandonment of the statutory placement obligation, the municipalities' duty to provide employment was removed. The authorities were only expected to direct employment funds primarily to employment of the young and the long-term unemployed, and in this connection the "young unemployed" came to refer to all those under 25: the age limit of 20 was no longer given special attention. By 2000, national funds for municipal job creation were targeted at young people who had been unemployed for at least five months. The national subsidies were paid for only six months, but municipalities were allowed to provide subsidised work for up to ten months, which after 1997 was the contribution period required to qualify for Earnings-related Allowance (Laaksonen, 2000).

207. One of the objectives of the 2001 Act on Rehabilitative Work Experience was specifically to target people under 25. However, in 2004 only 5 770 of the 23 600 activation plans under the Act were for this target group, and "The objective to draw up an activation plan for all those who are entitled has not been realised... there has been little information on the large proportion of drop-outs" (Walther and Pohl, 2005). The Government's Employment Policy Programme for 2003 to 2007 then included an educational and social guarantee, according to which from 2005 every unemployed young person should be offered training, trainee work or a workshop place after three months (MoL, 2005a).

208. Pitkänen *et al.* (2007) report findings from recent statistical monitoring, which showed that plans had been drawn up within three months for 61% of the target group, and only 45% of the plans included the promise of an active measure. The authors conclude that the new youth guarantee had positive effects on the service processes at the Employment Offices, as well as on the organisation of youth services. However, it was not very successful in the achievement of its overall goals, although it had helped a number of young people to find long-term solutions. The authors argue that results have been less satisfactory for young people needing more support than average, with multiple disadvantage youth and young people of immigrant background or of different ethnic background.

3.5. Quantitative analysis of job-brokering activities

International comparisons of PES market share

209. Table 3.6 shows PES performance indicators and market shares in Finland and other selected OECD countries in 2007. Among the countries included, the Finnish PES ranks top with respect to placements as a share of hirings (26%) and for placements as a share of dependent employment (11%). Japan has the highest rate of vacancy registrations relative to hirings, at 78%, but it has a lower ratio of placements relative to vacancies than Finland. The relatively high market shares of the PES in Japan and Finland may be related to the registration of a large share of temporary vacancies.⁸⁵

210. Despite the relatively high inflow of vacancies, Finland's rate of vacancy registrations per registered jobseeker per year at 1.28 was the lowest of those shown.⁸⁶ The ratio of unfilled vacancies to the stock of registered jobseekers (job-openings ratio) in Finland was 0.09, slightly higher than in Ireland but far below the ratios in Japan, Norway and the United Kingdom. However this mainly reflects a high number of registered jobseekers in Finland (20% of dependent employment, and nearly twice the number of people on an unemployment benefit, see Table 3.6 below), not a low number of unfilled vacancies.

211. However, the situation in Finland in 2007 was far more favourable than it had been in the mid-1990s. In 1996, on a basis comparable to Table 3.6, placements were a rather higher share of vacancy registrations (57%), but the annual vacancy registrations were three times lower and the stock of unfilled vacancies was four times lower. Since also the stock of registered jobseekers was higher, there were only 0.28 annual vacancy registrations per registered jobseeker and the ratio of the stock of unfilled vacancies to registered jobseekers was 0.015, probably some of the lowest rates and ratios ever experienced by an OECD country that has a modern employment service.⁸⁷

85. Employers in Japan also post vacancies on a long-term basis, without necessarily expecting to fill them immediately, in order to make contact with suitable candidates for long-term employment. In Finland, although the obligation to notify vacancies is not enforced, it encourages sectoral agreements to notify vacancies by large employers and the public sector employers. In 2007, 59 000 vacancies in public administration were notified, more than in industry (MEE, 2008).

86. This rate is equivalent to 10.7 new vacancy registrations per month per 100 registered jobseekers.

87. In the mid-1990s, Employment Offices mainly placed clients into labour market programmes rather than ordinary jobs. The municipalities and state organisations had to reserve job openings suitable for the unemployed as subsidised positions. Private employers were "speculating", keeping in touch with the local PES office to find out when a new budget allocation for subsidised hiring was coming, advertising in the local press for unemployed job applicants, and selecting among them often preferring a relatively "employable" person who had been unemployed not much more than the minimum of five months. This could have artificially reduced open vacancy notifications. In 1994, only 5% of the total outflow from the unemployment register took up an ordinary job known to the

Table 3.6. Indicators of PES market share, 2007

Levels, percentages and ratio

| | Finland | Ireland | Japan | Norway | United Kingdom ^a |
|--|------------------|------------------|-----------------|--------|-----------------------------|
| Employment service administrative data (000s) | | | | | |
| Annual vacancy registrations ^b | 564 | 170 | 9,668 | 399 | 3,515 |
| Annual placements ^c | 241 | 89 | 2,047 | .. | 854 ^d |
| Average stock of unfilled vacancies | 40 | 7 | 2,180 | 24 | 398 |
| Average stock of registered jobseekers | 440 ^e | 101 ^f | 2,094 | 46 | 929 ^g |
| Labour market data | | | | | |
| Dependent employment (000s) | 2,169 | 1,743 | 55,230 | 2,231 | 24,396 |
| Annual hiring rate (%) ^h | 43 | 37 | 23 ⁱ | 36 | 27 |
| Vacancy and placement rate indicators (ratios and annual rates, %) | | | | | |
| Vacancy registrations/hirings ^j | 60 | 26 | 78 | 50 | 53 |
| Vacancy registrations/dependent employment | 26 | 10 | 18 | 18 | 14 |
| Placements/hirings ^j | 26 | 14 | 16 | .. | 13 |
| Placements/dependent employment | 11 | 5 | 4 | .. | 4 |
| Placements/vacancy registrations | 43 | 52 | 21 | .. | 24 |
| Vacancy to unemployment indicators (annual rate and ratio, levels) | | | | | |
| Annual vacancy registrations per person in the stock of registered jobseekers | 1.28 | 1.68 | 4.62 | 8.66 | 3.78 |
| Ratio of the stock of unfilled registered vacancies to the stock of registered jobseekers (job-openings ratio) | 0.09 | 0.07 | 1.04 | 0.53 | 0.43 |

.. Data not available.

a) Data for the United Kingdom exclude Northern Ireland and refer to 2006.

b) Annual vacancy registrations for Norway refer to the sum of vacancies notified directly to NAV by employers and vacancies registered by NAV staff from advertisements in the media. Vacancies notified directly by employers represent 32% of the total shown.

c) National definitions. In Finland, vacancies filled with a PES candidate (of which about one-fifth are vacancies filled by a direct referral); in Ireland, vacancies filled by FÁS referrals; in the United Kingdom, vacancies filled by JobCentre Plus.

d) Secretariat estimate based on data for the first four months of the year (series discontinued in May 2006).

e) Total jobseeker clients including those on Unemployment Pension and *Other* (e.g. employed jobseekers).

f) Data on average stock of unfilled vacancies and average stock of registered jobseekers refer to 2006. In Ireland, the number of jobseekers registered with the placement service (FÁS) is well below the number of unemployment benefit claims on the Live Register.

g) UK claimant count, adjusted to exclude Northern Ireland. The United Kingdom does not register jobseekers who are not claiming benefit.

h) The annual hiring rates here refer to four times the percentage of employees who have a reported job tenure of zero to three months, unless otherwise stated. Estimates based on European Union Labour Force Survey detailed tabulations are averages of quarterly data, excluding quarters where data appear to be affected by coding errors as indicated by a high incidence of zero-month job tenures (excluding 2007 Q1 for Ireland, and 2007 Q1 to Q3 for Norway).

i) For Japan, the hiring rate is estimated as the percentage of employees who have reported job tenure of less than one year, multiplied by 1.8 (which is approximately the average ratio observed in the European Union Labour Force Survey detailed tabulations) to adjust to the conceptual basis of four times the percentage with reported job tenure of zero to three months (see previous note).

j) Based on hirings calculated from dependent employment and the annual hiring rate, shown in previous rows of the table.

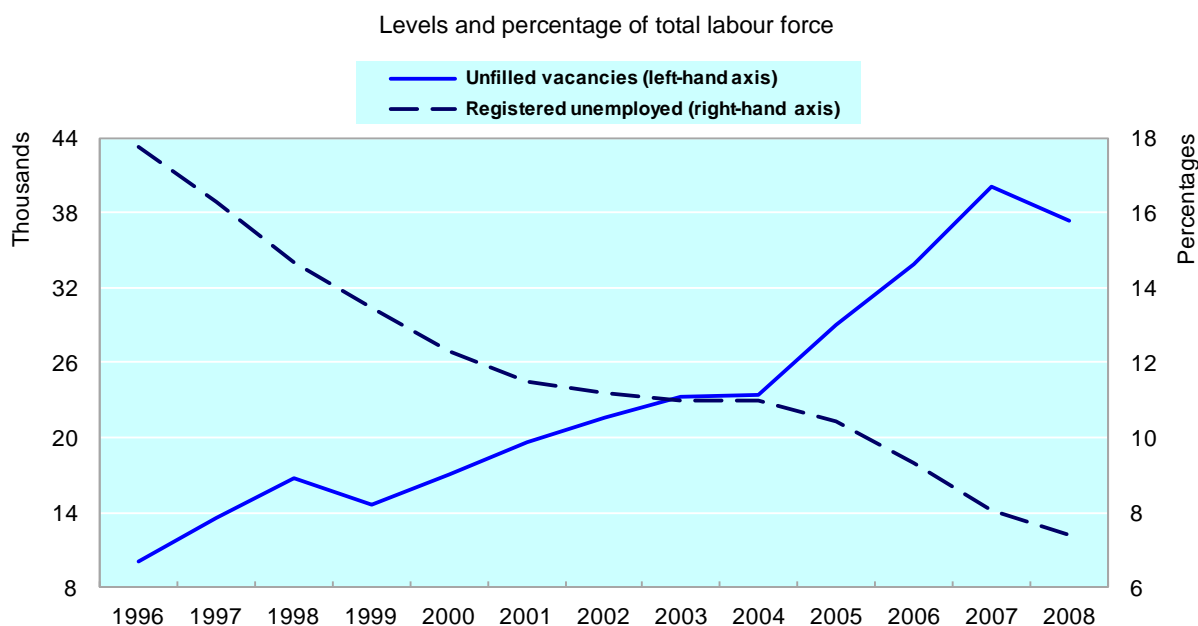
Source: For **employment service administrative data**: Finland: as for Figures 3.1 and 3.2 and, for registered jobseekers, MEE (2008), *Employment Report 2007*, Table 2; Ireland: see Grubb *et al.* (2009), "Activation Policies in Ireland", OECD SEM Working Papers, No. 75; Japan: Ministry of Labour, Health and Welfare, *Year Book of Labour Statistics 2007*; Norway: see Duell *et al.* (2009), "Activation Policies in Norway", OECD SEM Working Papers, No. 78; *United Kingdom/Great Britain*: Nomis on-line database. For **dependent employment**: OECD Labour Force Statistics database. For **job tenure**: European Union Labour Force Survey, special tabulations for European countries, and Ministry of Internal Labour Affairs and Communications, *2007 Employment Status Survey – Results for Japan*, Table 22 for Japan.

PES, whereas 19% of the outflow entered a subsidised job and 8% entered Labour Market Training (OECD, 1996).

Trends in registered jobseekers, vacancies and placements

212. This section presents some indicators of PES performance over time. Figure 3.1 shows the stock of registered unemployed⁸⁸ and unfilled vacancies over the period 1996 to 2008. The number of registered unemployed has fallen considerably to almost 7% of the labour force, corresponding to around 204 000 persons compared with 18% in the mid-1990s. By comparison, the stock of unfilled vacancies has grown steadily from just 10 000 in 1996 to a 37 000 in 2008 (equivalent to just below half a percent and 1.4% of the labour force, respectively).

Figure 3.1. **Stock of unfilled vacancies and stock of registered unemployed,^a Finland, 1996-2008**



a) The unemployment stock includes layoffs (furloughed employees). The estimated monthly inflow to unemployment excludes layoffs (layoffs were more than 10% of the stock in the early 1990s, but fell to less than 4% by 2007).

Source: OECD Main Economic Indicators database for unfilled vacancies; MEE (2009a), *Työpoliittinen aikakauskirja* (Finnish Labour Review), Vol. 2/2009 for registered unemployed; and OECD Labour Force Statistics database for total labour force.

213. The increasing number of unfilled vacancies reflects the problem of structural unemployment arising from occupational and geographical immobility of labour – with many of the unemployed either unable or unwilling to take the work that is available.⁸⁹ It may also reflect the inefficiency of the PES’s matching process which can be affected by several factors. For example, Soininen (2007) shows that the matching in the Finnish labour market differed before and after the economic crisis of the early 1990s: only the short-term unemployed have a positive effect on matching, and after the crisis, the matching process was “congested” by the high share of long-term unemployed. The age profile of the long-term unemployed and the heterogeneity of education levels are also likely to be important factors that have an impact on the matching process (OECD, 2008b).

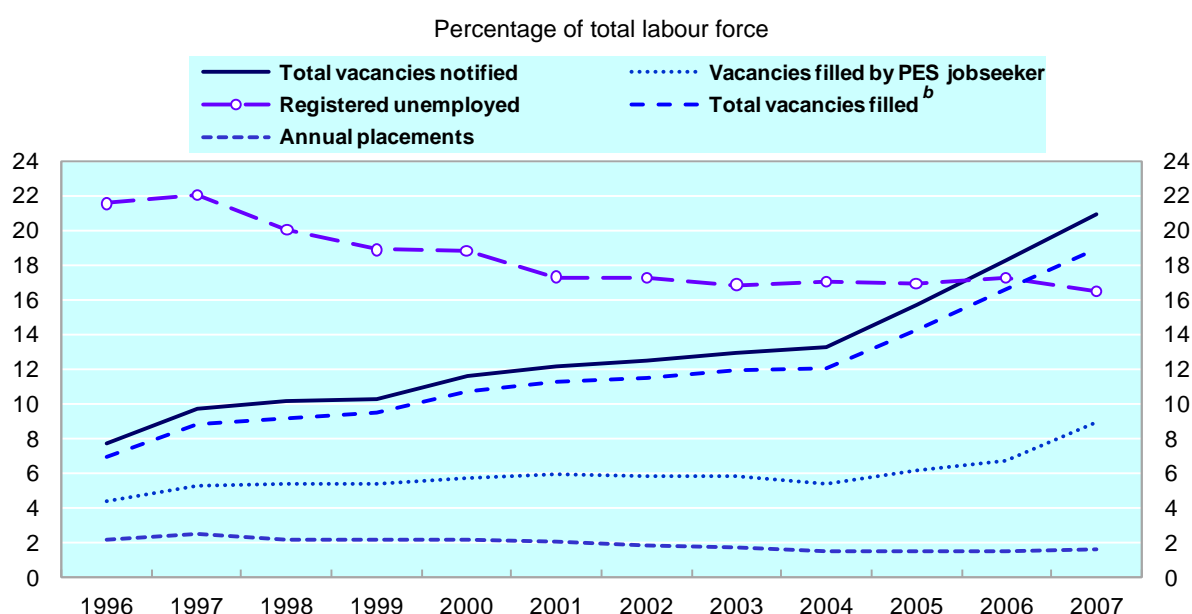
88. Since 1980, people on Unemployment Pension have been counted as jobseekers, but not as unemployed. In employment service statistics the registered unemployed are people who are receiving unemployment compensation and have to register with the Employment Office.

89. Legal requirements for occupational or geographical mobility are weak in Finland compared to Norway or Sweden (Hasselpflug, 2005). Low geographical mobility is exacerbated by the high share of older workers in registered unemployment.

214. The average time taken to fill vacancies increased from 18 days in 1999 to 25 days in 2007, which may also indicate some recruitment difficulties. In 2006, recruitment problems were reported particularly in the technology and the construction industries, in the real estate as well as in social and health services (Prime Minister's Office, 2007a). In 2007, according to interviews with employers carried out by the Ministry of Labour, the share of firms experiencing a labour shortage was 13%, while the share experiencing recruitment problems was 34% (MEE, 2008).⁹⁰

215. Figure 3.2 shows annual flow data for unemployed jobseekers⁹¹ and vacancies in order to compare these with placement data. From 1996 to 2007, the annual inflow of vacancies increased from 8% to 21% of the labour force, corresponding to some 193 000 and 564 000 job offers. The sharp increase in vacancies notified to PES after 2004, in particular, can be largely attributed to the favourable economic conditions. Despite the reported recruitment problems, the share of filled vacancies in total vacancies has remained quite stable at around 90% on average over the same period.

Figure 3.2. **Flows of vacancies, placements and registered unemployed,^a Finland, 1996-2007**



a) Monthly inflows to registered unemployment are estimated as “Jobseekers during a month: of these unemployed”, less the average stock of unemployed at a point in time. Monthly inflows according to this calculation are slightly below the number of people who have been unemployed for zero to four weeks.

b) Placements refer to vacancies that were filled by a direct referral. MEE (2008) cites data for direct referrals in 2007.

Source: MEE (2009a), *Työpoliittinen aikakauskirja* (Finnish Labour Review), Vol. 2/2009, Table 19 (2nd column) and Table 14 (last column) for registered unemployed (laid off excluded); MEE (2008), *Employment Report 2007* for inflows of vacancies; communication from MEE for placements by a direct referral; and *OECD Labour Force Statistics database* for total labour force.

90. On an annual basis, the Ministry of Labour (now MEE) contracts Statistics Finland to conduct a telephone survey of employers concerning recruitment and recruitment problems.

91. Statistics in MEE (2009a) report that the number of “new jobseekers during a month: of these unemployed” was 17 500 in 2007. However, three other types of published statistics imply higher inflows: *i*) the number of people unemployed “during the year” was 494 300 (MEE, 2008, Table 2), which should be equivalent to the stock at the start of the year (about 225 000) plus the inflow during the year; *ii*) the number “Jobseekers during a month: of these unemployed” (247 200), less the average stock of unemployed at a point in time (210 100) provides a proxy for the monthly inflow (37 100); and *iii*) the average number of people unemployed for zero to four weeks (44 500) also approximately estimates the monthly inflow. Inflow statistics can vary depending on when the start of a new spell is counted, in cases of repeat unemployment with shorter or longer breaks.

216. MEE (2009a) reports three types of placement statistic: vacancies filled, vacancies filled by jobseekers registered at the Employment Office with PES assistance,⁹² and vacancies filled by a direct referral. The number of vacancies filled by registered jobseekers grew rapidly after 2004. Placements through direct referrals have fallen over time, from around 2.2% of the labour force in 1996 to about 1.6% in 2007. These opposing trends partly reflect the automation of staff-intensive administrative procedures and the greater level of job search taking place independently *via* the comprehensive internet service. In 2007, 8.6% of vacancies were filled by referrals compared with 30% ten years earlier.

92. Vacancies filled with PES assistance include those filled by direct referral and by other PES assistance, such as when the registered jobseeker finds a job on-line or the advisor has sent information on the vacancy but has not made a direct referral.

CHAPTER 4

UNEMPLOYMENT AND RELATED BENEFITS

4.1. Introduction

217. In Finland, an earnings-related UI benefit is paid for up to 500 days (100 weeks, 23 months), and *net* replacement rates for both UI benefits and unemployment assistance benefits in cases of relatively low earnings (two-thirds of the Average Wage) are about 80%, in cases commonly used to make international comparisons. According to these figures, benefit generosity in Finland is only just below the levels prevailing in the few-most-generous countries,⁹³ although any conclusion in this area should be interpreted with care.⁹⁴ However, in other countries with high net replacement rates, except Iceland and Luxembourg, assistance benefits are paid by municipalities, an arrangement which tends to lead to restrictive management.⁹⁵ In Finland until recently the unemployment assistance benefit has been financed at central level. At the same time, central government has not been able to tightly control the implementation of behavioural requirements because the management of Employment Offices and benefit sanction decisions is relatively decentralised.

218. Section 4.2 looks at patterns of working-age benefit reciprocity, showing that Finland has for many years had the highest or near-highest rates of both unemployment benefit reciprocity and overall working-age benefit reciprocity among OECD countries. Section 4.3 gives a history of the main unemployment benefits and their entitlement and eligibility conditions, covering the increases in benefit generosity in the 1980s and the reforms implemented through to 2002. Later sections describe reforms after 2002 and the current system in greater detail. Sections 4.4 and 4.5 examine the current UI benefits and assistance benefits, respectively. Section 4.6 describes behavioural requirements for benefit receipt in more detail. Section 4.7 briefly describes several other benefits that act in the labour market.

93. *Net* replacement rates averaged across four family types (single person and single-earner couple, with no children and with two children) average close to 80% both in the initial phase of unemployment and in long-term unemployment, according to 2005 and 2007 data (see OECD, 2007d; and www.oecd.org/els/social/workincentives): placing Finland in the 7th and the 5th position, respectively, among 28 countries.

94. The net replacement rates cited are high because additional benefits, taxes and social security contributions are taken into account when calculating net incomes both in and out of work. The estimates are sensitive to assumptions, in particular those concerning housing costs, which influence entitlements to housing allowances. It may also be noted that the cases under consideration do not represent the situation of some groups – such as young people with no work history and still living with their parents – who may have benefits at relatively low rates in Finland and not be covered at all in other countries. However, it is not clear that alternative treatments and coverage of such statistical issues would systematically raise or lower Finland's position in these comparisons.

95. Municipalities finance social assistance benefits in Norway, Sweden and Switzerland. In Denmark, the central government reimburses 50% of the cost of social assistance payments. In the Netherlands, central government used to reimburse 90%, but this was cut to zero in 2004. These statements refer only to central government financing at the margin (*i.e.* additional financing to cover any additional payments of social assistance); often central governments support local government expenditure in other ways, through formula-based grants and the sharing of tax revenues.

4.2. Benefit reciprocity rates

International comparisons for the main categories of benefits

219. Grubb *et al.* (2009) presented time-series estimates of working-age reciprocity rates for main categories of income-replacement benefits in time-series and for 16 countries. For this report the estimates for Finland have been reviewed and updated.⁹⁶ Table 4.1 shows the revised international comparison with data up to 2004 for 16 countries. According to these estimates:

- From 1980 to 1990, Finland's overall working-age reciprocity rate was already the third highest for the 16 countries for which estimates are available, after those in Belgium and Denmark, and 3 or 4 percentage points above the 16-country average. In 1980, Finland's high overall rate was attributable primarily to high incapacity (sickness and disability) benefit reciprocity. However, after 1980 incapacity benefit reciprocity did not rise further, probably related to policies which increasingly made employers responsible for the cost of disability benefit payments to their former employees;
- By 1990, the high reciprocity rate for maternity and care (parental) benefits accounted for about half of the difference between Finland's total rate and the international average. The growth in this benefit category mainly reflects the creation in 1985 of the Child Home Care Allowance, which can be paid as an alternative to municipal child-day-care allowances when there is a child aged under 3 in the family;⁹⁷ and
- From 1990 to 1995, Finland's unemployment benefit reciprocity rate jumped by nearly 11 percentage points, whereas the average for the other 15 countries in Table 4.1⁹⁸ rose by only 1.2 percentage points, from 4.8% to 6.0% (by 1995, unemployment had in some countries fallen well below its recessionary peak). Finland's overall working-age reciprocity rate rose to 35.1% in 1993 (33.0% in 1995), by far the highest rate experienced by any of the countries shown in Table 4.1.
- In 2004, despite the continuous fall in unemployment rates after the early 1990s, Finland still had the highest unemployment benefit reciprocity rate and the highest overall benefit reciprocity rate among the 16 countries shown.

96. The estimates for Finland presented in Grubb *et al.* (2009) understated reciprocity rates because recipients of Earnings-related Allowance were omitted. Apart from correction of this error, the changes following the current re-examination of the data are: **Old Age**: now includes Unemployment Pension (formerly included under Unemployment) and Special pension for farmers aged less than 65; **Unemployment**: now excludes Unemployment Pension and data start at 1980; **Social assistance and lone parents**: data now exclude social assistance recipients who have income from other sources (this avoids double-counts with other benefits and excludes payments of social assistance as an in-work benefit); **Maternity and care**: the data used now relate to the year-end stock of families receiving Child Home Care Allowance, not the annual total of recipients. Before a series of amendments in 1992-95, unemployment benefit was not reduced by the amount of Child Home Care Allowance received (Van Gerven, 2008, p. 193); due to a lack of data about this, recipients of both benefits will be double-counted.

97. The basic rate of payment of Child Home Care Allowance, for one child aged under 3, at the end of 2007 was EUR 294 per month. Bearing in mind also that other countries have family benefits paid through the tax system, not regarded as income-replacement benefits, the rate of this benefit may seem too low to justify counting those who receive it as recipients of a full income-replacement benefit. However, since a supplement of EUR 168 per month subject to a means test and an addition for other children under school age are payable, the average payment is likely to be similar to the social minimum as defined by the basic unemployment allowance (EUR 23.91 per day for 21.5 days per month, *i.e.* EUR 514 per month) (KELA, 2008a).

98. The average for the other 15 countries is not shown directly in Table 4.1 but can be calculated from it.

Table 4.1. **Income-replacement benefit reciprocity rates for the working-age population in 16 countries, 1980-2004**

Percentage of population aged 15-64

| | Australia | Austria | Belgium | Canada | Denmark | Finland | France | Germany | Ireland | Japan | Netherlands | New Zealand | Spain | Sweden | United Kingdom | United States | OECD-16 |
|---|-----------|---------|---------|--------|---------|---------|--------|---------|---------|-------|-------------|-------------|-------|--------|----------------|---------------|---------|
| Old age | 1980 | 1.8 | 3.3 | 4.0 | 0.6 | 1.2 | 2.1 | 2.2 | 2.7 | 0.0 | 3.5 | - | 1.3 | 0.4 | 1.8 | 3.4 | 1.8 |
| | 1985 | 1.6 | 4.3 | 7.2 | 0.6 | 2.0 | 3.1 | 6.0 | 2.8 | 0.0 | 5.0 | 0.7 | 1.3 | 0.7 | 1.3 | 3.5 | 2.0 |
| | 1990 | 1.5 | 4.3 | 8.0 | 2.3 | 2.1 | 3.8 | 6.6 | 3.2 | 0.3 | 5.0 | 0.6 | 1.4 | 1.0 | 0.8 | 3.6 | 2.0 |
| | 1995 | 2.2 | 5.5 | 7.0 | 3.2 | 3.2 | 3.3 | 7.2 | 3.7 | 0.6 | 5.1 | 0.8 | 1.5 | 1.3 | 0.7 | 3.2 | 1.8 |
| | 2000 | 1.8 | 7.3 | 6.7 | 3.1 | 3.7 | 3.9 | 6.9 | 4.7 | 0.4 | 5.2 | 0.7 | 1.4 | 1.0 | 0.5 | 3.5 | 1.8 |
| | 2004 | 1.6 | 6.0 | 4.9 | 3.4 | 2.3 | 3.8 | 6.4 | 4.0 | 0.4 | 6.0 | 0.6 | 0.6 | 0.9 | 0.4 | 3.7 | 1.8 |
| Survivors | 1980 | 0.8 | 3.0 | 1.6 | 1.3 | 0.5 | 2.0 | 0.5 | 1.6 | 1.5 | 0.8 | 1.8 | 0.8 | 1.6 | 1.5 | 1.6 | 1.3 |
| | 1985 | 0.7 | 2.7 | 1.7 | 1.5 | 0.0 | 2.1 | 0.4 | 1.7 | 1.7 | 1.0 | 1.7 | 0.6 | 1.8 | 1.3 | 1.4 | 0.8 |
| | 1990 | 0.6 | 2.6 | 1.5 | 1.9 | 0.0 | 1.9 | 0.4 | 1.7 | 1.6 | 1.1 | 1.8 | 0.6 | 1.8 | 1.1 | 1.2 | 0.7 |
| | 1995 | 0.4 | 2.3 | 1.3 | 2.0 | 0.0 | 1.8 | 0.4 | 1.7 | 1.6 | 1.3 | 1.8 | 0.4 | 1.8 | 1.0 | 1.0 | 0.7 |
| | 2000 | 0.2 | 2.1 | 1.1 | 1.7 | 0.0 | 1.8 | 0.4 | 1.6 | 1.4 | 1.6 | 1.0 | 0.4 | 1.8 | 0.3 | 0.8 | 0.6 |
| | 2004 | 0.2 | 2.1 | 1.1 | 1.6 | 0.0 | 1.6 | 0.4 | 1.7 | 1.3 | 1.8 | 0.8 | 0.4 | 1.8 | 0.2 | 0.5 | 0.5 |
| Incapacity (sickness and disability) | 1980 | 5.2 | 6.5 | 4.4 | 3.6 | 10.1 | 9.3 | 7.4 | 7.9 | 5.0 | 3.2 | 10.2 | 1.5 | 3.3 | 9.9 | 4.0 | 7.4 |
| | 1985 | 5.6 | 5.8 | 4.4 | 4.5 | 9.6 | 8.9 | 6.6 | 7.4 | 6.0 | 3.0 | 9.8 | 1.9 | 4.1 | 9.9 | 4.5 | 7.1 |
| | 1990 | 5.3 | 6.1 | 4.3 | 4.6 | 10.6 | 10.0 | 6.4 | 7.0 | 5.3 | 3.0 | 11.0 | 2.8 | 4.2 | 10.6 | 6.0 | 7.7 |
| | 1995 | 5.5 | 5.9 | 4.4 | 5.8 | 11.1 | 10.0 | 6.4 | 7.1 | 5.0 | 2.9 | 10.0 | 3.9 | 4.2 | 11.0 | 7.9 | 8.6 |
| | 2000 | 7.2 | 5.5 | 4.7 | 5.1 | 11.4 | 9.0 | 7.0 | 6.5 | 5.9 | 3.2 | 10.9 | 4.0 | 4.2 | 12.6 | 7.2 | 8.4 |
| | 2004 | 8.1 | 5.8 | 5.0 | 4.8 | 11.3 | 9.0 | 6.8 | 5.8 | 6.2 | 3.1 | 10.7 | 4.8 | 3.8 | 14.7 | 7.5 | 9.3 |
| Maternity, parental, care and labour market leave | 1980 | 0.0 | 1.2 | 0.1 | 0.2 | 0.4 | 1.3 | 0.5 | 0.2 | 0.4 | 0.1 | 0.0 | 0.0 | 0.0 | 1.5 | 0.4 | 0.0 |
| | 1985 | 0.0 | 1.3 | 0.1 | 0.2 | 0.8 | 2.3 | 0.5 | 0.2 | 0.3 | 0.1 | 0.0 | 0.0 | 0.0 | 2.0 | 0.3 | 0.0 |
| | 1990 | 0.1 | 1.5 | 1.1 | 0.4 | 1.0 | 4.0 | 1.0 | 0.2 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 | 2.8 | 0.6 | 0.0 |
| | 1995 | 0.2 | 3.0 | 1.0 | 0.4 | 2.5 | 4.1 | 1.3 | 0.2 | 0.5 | 0.1 | 0.0 | 0.0 | 0.0 | 2.8 | 1.2 | 0.0 |
| | 2000 | 0.3 | 1.9 | 1.1 | 0.4 | 1.6 | 3.7 | 1.9 | 0.2 | 0.7 | 0.2 | 0.0 | 0.0 | 0.0 | 2.0 | 1.7 | 0.0 |
| 2004 | 0.3 | 4.1 | 1.1 | 0.8 | 2.4 | 3.5 | 1.6 | 0.2 | 0.9 | 0.2 | 0.0 | 0.0 | 0.0 | 2.3 | 2.9 | 0.0 | |
| Unemployment | 1980 | 3.2 | 0.9 | 5.4 | 6.0 | 5.2 | 2.4 | 3.1 | 2.0 | 4.5 | 0.8 | 2.9 | 1.1 | 2.8 | 1.1 | 4.7 | 2.5 |
| | 1985 | 5.4 | 2.2 | 8.4 | 8.8 | 7.0 | 4.0 | 4.3 | 4.1 | 9.8 | 0.7 | 6.2 | 1.8 | 4.1 | 2.0 | 7.7 | 1.8 |
| | 1990 | 3.8 | 3.0 | 7.3 | 8.6 | 7.6 | 2.6 | 4.3 | 3.9 | 9.3 | 0.5 | 5.0 | 6.3 | 5.0 | 1.3 | 4.0 | 1.6 |
| | 1995 | 6.7 | 3.9 | 8.8 | 8.1 | 8.0 | 13.5 | 5.2 | 6.7 | 11.2 | 0.8 | 6.3 | 5.8 | 5.5 | 6.0 | 5.3 | 1.6 |
| | 2000 | 5.1 | 3.4 | 6.6 | 5.2 | 4.2 | 9.1 | 4.4 | 6.4 | 5.1 | 1.0 | 3.5 | 6.2 | 3.8 | 3.5 | 2.5 | 1.3 |
| | 2004 | 4.1 | 3.9 | 7.5 | 5.5 | 4.6 | 8.4 | 5.3 | 7.7 | 5.2 | 0.8 | 5.8 | 3.0 | 4.2 | 3.2 | 1.9 | 1.8 |
| Social assistance | 1980 | 2.0 | 0.6 | 1.5 | 1.7 | 2.5 | 0.2 | 0.2 | 0.9 | 1.0 | 0.5 | 1.2 | 1.9 | 0.0 | 0.2 | 1.0 | 3.4 |
| | 1985 | 2.6 | 0.5 | 1.6 | 2.3 | 1.8 | 0.3 | 0.3 | 1.7 | 1.5 | 0.5 | 1.6 | 2.7 | 0.0 | 0.5 | 2.0 | 3.7 |
| | 1990 | 2.5 | 0.6 | 2.0 | 2.2 | 1.8 | 0.4 | 1.5 | 2.1 | 2.2 | 0.3 | 1.5 | 4.3 | 0.2 | 0.5 | 2.9 | 3.6 |
| | 1995 | 3.0 | 0.5 | 2.4 | 3.0 | 1.5 | 0.3 | 2.6 | 2.2 | 3.3 | 0.3 | 1.4 | 4.4 | 0.2 | 1.1 | 3.5 | 3.7 |
| | 2000 | 3.2 | 0.9 | 2.1 | 1.7 | 1.7 | 0.4 | 2.9 | 2.1 | 4.4 | 0.3 | 1.1 | 4.4 | 0.2 | 1.0 | 2.6 | 1.6 |
| | 2004 | 3.5 | 1.1 | 2.1 | 1.5 | 1.8 | 0.3 | 3.1 | 2.5 | 4.4 | 0.4 | 1.0 | 4.9 | 0.1 | 0.8 | 2.1 | 1.8 |
| Total | 1980 | 13.0 | 15.5 | 17.0 | 13.4 | 19.9 | 17.3 | 13.8 | 15.2 | 12.4 | 8.8 | 16.1 | 6.5 | 8.1 | 16.1 | 15.0 | 16.5 |
| | 1985 | 15.9 | 16.8 | 23.5 | 18.0 | 21.2 | 20.8 | 18.1 | 18.0 | 19.3 | 10.3 | 19.9 | 8.3 | 10.6 | 17.0 | 19.4 | 15.4 |
| | 1990 | 13.6 | 18.0 | 24.3 | 19.9 | 23.2 | 22.8 | 20.1 | 18.2 | 18.9 | 10.0 | 20.0 | 15.3 | 12.1 | 17.0 | 18.3 | 15.6 |
| | 1995 | 17.9 | 21.2 | 24.8 | 22.5 | 26.2 | 33.0 | 23.0 | 21.6 | 22.1 | 10.5 | 20.3 | 16.0 | 12.8 | 22.6 | 22.2 | 16.4 |
| | 2000 | 17.8 | 21.2 | 22.3 | 17.3 | 22.5 | 27.7 | 23.4 | 21.6 | 17.9 | 11.5 | 17.2 | 16.3 | 11.1 | 19.9 | 18.3 | 13.8 |
| | 2004 | 17.8 | 23.0 | 21.6 | 17.7 | 22.4 | 26.5 | 23.5 | 21.9 | 18.5 | 12.3 | 19.0 | 13.6 | 10.8 | 21.6 | 18.7 | 15.2 |

See OECD (2003), Chapter 4 for a discussion of definition and coverage. Estimates for 1980 to 1999 presented there were extrapolated to 2004 using data for the main benefits in each category. Estimates for Finland are new, and revised from those presented in Grubb *et al.* (2009), "Activation Policies in Ireland", OECD SEM Working Papers, No. 75. Estimates should be considered approximate.

Source: OECD (2003), *OECD Employment Outlook*, Chapter 4 "Benefits and Employment, Friend or Foe? Interactions Between Passive and Active Social Programmes", updated as described; for Finland, see Table 4.2.

220. Because unemployment benefit reciprocity has been relatively high, this chapter focuses on unemployment benefits. However, reciprocity rates in the areas of old age, survivors' benefits, incapacity benefits and maternity and care benefits are also above the 16-country average. Each type of non-employment benefit merits scrutiny of its cost, targeting and labour market impact with a view to the potential for activation of its recipients, even if this is not done here for reasons of space.

221. Economists and policy-makers in Finland do not widely perceive high levels of benefit dependency as a major issue. Reasons for this include:

- Economists and policy-makers are not widely aware or might not agree that unemployment or other benefit reciprocity rates remain exceptionally high, or that activation measures for unemployment benefits remain relatively weak;

- Social policy research in Finland has not very much analysed history from the point of view that labour market and social policies are drivers of the quantitative outcomes.⁹⁹ This contrasts with the situation in the Netherlands, where authors such as Visser and Hemerijck (1997), Van Oorschot and Boos (2000), Van Oorschot (2006) and Van Ours (2006) describe labour market and social institutions and policies as being driven by, and being drivers of, disability and unemployment benefit recipiency rates and total social expenditure levels. In Finland, since about 1998 some articles identified policy factors contributing to high recipiency of LMS, but still these were not extensively analysed or discussed.¹⁰⁰ This is related to the explanation of the rise in unemployment in Finland in the early 1990s mainly in terms of demand shocks, implying that labour market and social policies were not responsible to any great extent;¹⁰¹
- Finns appreciate the *adequacy* of benefit coverage of potential situations of economic hardship, and are generally prepared to finance it. At the same time, there is some history of unemployment and related benefits being extended to cover quite significant population groups without widespread practical support for the principle of conditionality;¹⁰² and
- High rates of benefit recipiency have been economically sustainable partly because employment rates have remained reasonably high, at the EU-average level even in the depth of recession (see Figure 1.3 above).¹⁰³

222. Table 4.2 shows annual data for individual benefits in Finland from the year 2000. Between 2004 and 2007, unemployment benefit caseloads fell by a quarter and the caseload of social assistance recipients with no other income fell by nearly a third. There was little change in other benefit categories, so that the 2 percentage point fall in the unemployment benefit rate led to a similar fall in the overall benefit recipiency rate. This probably reflects recent policy reforms to activate LMS recipients, as well as high levels of labour demand. In 2008 the unemployment benefit recipiency rate fell slightly further, and then in 2009 it rose rapidly.

99. According to Van Gerven (2008), “Very few academic publications view social policy reforms and most of them are Governmental studies”. She explains that Finnish research has concentrated on social risks such as unemployment or unemployed people, the poor, well-being and policy outcomes but not the policies themselves.

100. Räisänen and Skog (1998) wrote that “the marginalisation of the largest group of support recipients, which also happens to be the most difficult to place in employment, and the change of labour market support into a permanent source of income have taken place without any public debate or conscious decision-making”.

101. In the Netherlands, social policy analysis focused first on the growth in disability benefit recipiency rates in the 1970s. Although this was interpreted in terms of “hidden unemployment”, adverse demand shocks were not seen as a primary cause of it. Analysis of open unemployment then tended to assume that labour market and social policies were drivers also in this area.

102. See below for examples of official statements on issues such as the right of people aged 50 or more to refuse a job or training offer without losing benefit, the payment of Basic Allowance to labour market groups apparently not available for full-time work, and the lack of provision for sanctions for refusal of work or similar in the social assistance system.

103. The high benefit coverage of spouses not in work, which tends to increase benefit recipiency, may also contribute to Finland’s high female full-time employment rate, as discussed further below.

Table 4.2. Reciprocity rates for individual benefits by main category, 2000-07

Levels and percentage of working-age population (15-64)

| Benefit type | Benefit | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | | Levels | | | | | | | |
| | Old-age pension (ages < 65) | 60 984 | 62 861 | 64 412 | 60 102 | 56 714 | 66 221 | 64 810 | 71 071 |
| | Unemployment pension and Pension Assistance for LTU | 50 900 | 52 700 | 54 700 | 53 000 | 50 700 | 50 404 | 48 355 | 47 512 |
| | Special pension for farmers (ages < 65) | 16 872 | 15 427 | 14 136 | 12 763 | 11 566 | 11 004 | 9 945 | 9 616 |
| | Part-time pensions (age <65, at 50% rate) | 12 267 | 14 537 | 19 771 | 20 598 | 18 219 | 10 582 | 15 321 | 14 941 |
| Old age^a | | 134 245 | 138 712 | 146 135 | 139 886 | 130 972 | 132 070 | 132 601 | 137 427 |
| | Orphans pension (ages 18+) | 6 766 | 6 823 | 7 016 | 6 728 | 6 207 | 5 893 | 5 828 | 5 659 |
| | Spouse's pension (ages < 65) | 54 237 | 53 444 | 52 454 | 50 218 | 49 013 | 48 590 | 46 832 | 46 466 |
| Survivors^c | | 61 003 | 60 267 | 59 470 | 56 946 | 55 220 | 54 483 | 52 660 | 52 125 |
| | Sickness allowance | 40 994 | 41 791 | 47 048 | 48 248 | 49 542 | 51 237 | 53 250 | 53 567 |
| | Rehabilitation allowance | 4 396 | 4 837 | 5 841 | 6 800 | 7 221 | 7 339 | 7 164 | 6 779 |
| | Disability pensions (ages < 65) | 276 269 | 267 906 | 267 204 | 267 140 | 266 972 | 269 428 | 267 383 | 271 624 |
| Incapacity^b | | 310 608 | 303 818 | 309 405 | 311 503 | 313 057 | 317 227 | 317 102 | 321 106 |
| | Parenthood allowance | 48 821 | 48 695 | 48 002 | 48 979 | 50 223 | 50 484 | 51 049 | 51 614 |
| | Child Home Care Allowance | 72 546 | 70 822 | 69 640 | 68 874 | 67 966 | 67 844 | 66 241 | 65 316 |
| | Job-alternation compensation | 6 320 | 5 740 | 6 040 | 5 760 | 5 520 | 5 780 | 6 660 | 7 220 |
| Maternity, parental, care and leave | | 127 687 | 125 257 | 123 682 | 123 613 | 123 709 | 124 108 | 123 950 | 124 150 |
| | Basic unemployment allowance | 15 900 | 15 800 | 17 200 | 19 100 | 20 600 | 19 800 | 18 000 | 15 600 |
| | Earnings-related allowance | 135 370 | 121 760 | 117 730 | 122 430 | 126 120 | 123 680 | 113 430 | 98 950 |
| | Labour Market Support | 159 600 | 153 500 | 150 600 | 144 400 | 141 900 | 134 200 | 121 600 | 105 200 |
| | Integration assistance | 2 836 | 2 931 | 3 034 | 3 752 | 3 802 | 4 126 | 4 674 | 4 745 |
| Unemployment^c | | 313 706 | 293 991 | 288 564 | 289 682 | 292 422 | 281 806 | 257 704 | 224 495 |
| Social assistance and lone parents^d | | 13 794 | 15 100 | 12 492 | 12 890 | 10 482 | 9 909 | 8 402 | 6 799 |
| Total | | 961 043 | 937 145 | 939 748 | 934 520 | 925 862 | 919 604 | 892 419 | 866 102 |
| Working-age population (15-64) | | 3465 000 | 3471 000 | 3478 000 | 3483 000 | 3492 000 | 3497 000 | 3507 000 | 3517 000 |
| | | Percentages of the working-age population | | | | | | | |
| | Old-age pension (ages < 65) | 1.76 | 1.81 | 1.85 | 1.73 | 1.62 | 1.89 | 1.85 | 2.02 |
| | Unemployment pension and Pension Assistance for LTU | 1.47 | 1.52 | 1.57 | 1.52 | 1.45 | 1.44 | 1.38 | 1.35 |
| | Special pension for farmers (ages < 65) | 0.49 | 0.44 | 0.41 | 0.37 | 0.33 | 0.31 | 0.28 | 0.27 |
| | Part-time pensions (ages < 65, 50% weight) | 0.35 | 0.42 | 0.57 | 0.59 | 0.52 | 0.30 | 0.44 | 0.42 |
| Old age^a | | 3.87 | 4.00 | 4.20 | 4.02 | 3.75 | 3.78 | 3.78 | 3.91 |
| | Orphans pension (ages 18+) | 0.20 | 0.20 | 0.20 | 0.19 | 0.18 | 0.17 | 0.17 | 0.16 |
| | Spouse's pension (ages < 65) | 1.57 | 1.54 | 1.51 | 1.44 | 1.40 | 1.39 | 1.34 | 1.32 |
| Survivors^c | | 1.76 | 1.74 | 1.71 | 1.63 | 1.58 | 1.56 | 1.50 | 1.48 |
| | Sickness allowance | 1.18 | 1.20 | 1.35 | 1.39 | 1.42 | 1.47 | 1.52 | 1.52 |
| | Rehabilitation allowance | 0.13 | 0.14 | 0.17 | 0.20 | 0.21 | 0.21 | 0.20 | 0.19 |
| | Disability pensions (ages < 65) | 7.97 | 7.72 | 7.68 | 7.67 | 7.65 | 7.70 | 7.62 | 7.72 |
| Incapacity^b | | 8.96 | 8.75 | 8.90 | 8.94 | 8.96 | 9.07 | 9.04 | 9.13 |
| | Parenthood allowance | 1.41 | 1.40 | 1.38 | 1.41 | 1.44 | 1.44 | 1.46 | 1.47 |
| | Child Home Care Allowance | 2.09 | 2.04 | 2.00 | 1.98 | 1.95 | 1.94 | 1.89 | 1.86 |
| | Job-alternation compensation | 0.18 | 0.17 | 0.17 | 0.17 | 0.16 | 0.17 | 0.19 | 0.21 |
| Maternity, parental, care and leave | | 3.69 | 3.61 | 3.56 | 3.55 | 3.54 | 3.55 | 3.53 | 3.53 |
| | Basic unemployment allowance | 0.46 | 0.46 | 0.49 | 0.55 | 0.59 | 0.57 | 0.51 | 0.44 |
| | Earnings-related allowance | 3.91 | 3.51 | 3.38 | 3.52 | 3.61 | 3.54 | 3.23 | 2.81 |
| | Labour Market Support | 4.61 | 4.42 | 4.33 | 4.15 | 4.06 | 3.84 | 3.47 | 2.99 |
| | Integration assistance | 0.08 | 0.08 | 0.09 | 0.11 | 0.11 | 0.12 | 0.13 | 0.13 |
| Unemployment^c | | 9.05 | 8.47 | 8.30 | 8.32 | 8.37 | 8.06 | 7.35 | 6.38 |
| Social assistance and lone parents^d | | 0.40 | 0.44 | 0.36 | 0.37 | 0.30 | 0.28 | 0.24 | 0.19 |
| Total | | 27.74 | 27.00 | 27.02 | 26.83 | 26.51 | 26.30 | 25.45 | 24.63 |

- a) Data are year-end stocks except for unemployment (annual average of end-of-month stocks) and sickness and parental allowance (benefit-days converted to an annual basis).
- b) Includes 90% of gross figures for *Unemployment pension* and *Special pension for farmers* (factor correcting for double-counting).
- c) Includes 96% of gross figures for *Disability pensions* (ages < 65) (factor to correct for disability pensioners not living in Finland).
- d) This table uses data for recipients of earnings-related unemployment benefit as reported in KELA (2008a) and earlier publications in the same series. Some previous publications [Carcillo and Grubb (2006), "From Inactivity to Work: The Role of Active Labour Market Policies", OECD SEM Working Papers, No. 36; and Grubb *et al.* (2009), "Activation Policies in Ireland", OECD SEM Working Papers, No. 75] used the series for *Unemployed members of insurance funds* reported in MEE (2009a, Table 23), which is available for years 1971 onwards but appears to be subject to understatement in some years.
- e) Refers to the stock of social assistance recipients with no income from other sources, estimated using tables entitled "Households in receipt of social assistance in November by main source of livelihood in Finland".

Source: KELA, *Statistical Yearbook*, various issues (for 2007, Tables 5, 20, 62, and 127); MEE (2009a), *Työpoliittinen aikakauskirja* (Finnish Labour Review), Vol. 2/2009; STAKES (2008), "Toimeentulotuki 2007" (*Social Assistance 2007*), Statistical Summary, Vol. 37/2008, and earlier issues in this series. For early years (with data shown in Table 4.1), MSAH (2002b), *Trends in Social Protection 2002*, Figure 3, underlying data supplied by the Ministry; MSAH (2005), *Finland's National Pension Strategy Report 2005*, No. 2005:11eng; the Nordic Social-Statistical Committee (NOSOSCO), nososco-eng.nom-nos.dk; KELA, *Pocket Statistics*, various issues available at www.kela.fi/in/internet/english.nsf/NET/280901094811TL; ETK and KELA (2003), *2002 Statistical Yearbook of Pensioners in Finland*, www.etk.fi/Page.aspx?Section=42909&Item=22145. For survivors of working age from 1980 to 1995, communication from Ilari Keso of MSAH.

Unemployment benefit recipients and labour force survey unemployment

223. Table 4.3 shows the ratio of the number of unemployment benefit recipients to the number of people who are unemployed according to the labour force survey for a number of countries. The data do not include Unemployment Pension in Finland or similar benefits in other countries, which are allocated to the Old-Age category. The ratio in Finland is the second highest among those shown, after Ireland's.¹⁰⁴ According to historical data from 1971 onwards (Carcillo and Grubb, 2006), this ratio was below 0.5 from 1971 to 1975; increased to and stayed near 1 from 1986 to 1990; and since 1990 has fluctuated between 1.2 and 1.3.

Table 4.3. **Ratio of the number of unemployment benefit recipients to the number of labour force survey unemployed, 2000-07**

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | Average of years shown |
|----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------------|
| Australia | 1.12 | 1.01 | 1.06 | 0.98 | 1.00 | 1.00 | 1.01 | 1.02 | 1.03 |
| Canada | 1.03 | 0.99 | 0.89 | .. | .. | .. | .. | .. | 0.97 |
| Denmark | 0.97 | 1.00 | 0.97 | 0.91 | .. | .. | .. | .. | 0.96 |
| Finland | 1.22 | 1.22 | 1.21 | 1.22 | 1.25 | 1.26 | 1.24 | 1.19 | 1.23 |
| France | 0.71 | 0.81 | 0.86 | 0.82 | 0.81 | .. | .. | .. | 0.80 |
| Germany | 1.03 | 1.04 | 1.06 | 1.11 | 0.98 | .. | .. | .. | 1.04 |
| Ireland | 1.55 | 1.94 | 1.79 | 1.76 | 1.56 | 1.48 | 1.36 | 1.40 | 1.61 |
| Japan | 0.29 | 0.29 | 0.26 | 0.21 | 0.19 | .. | .. | .. | 0.25 |
| Netherlands | 0.79 | 0.79 | 0.72 | 0.66 | 0.67 | .. | .. | .. | 0.73 |
| New Zealand | 1.22 | 1.21 | 1.08 | 1.02 | 0.82 | 0.63 | 0.48 | 0.29 | 0.84 |
| Norway | 0.59 | 0.59 | 0.60 | 0.67 | 0.69 | .. | .. | .. | 0.63 |
| Portugal | 0.94 | 0.91 | 0.81 | 0.83 | 0.86 | 0.78 | .. | .. | 0.85 |
| Spain | 0.42 | 0.59 | 0.57 | 0.57 | 0.57 | .. | .. | .. | 0.54 |
| Sweden | 0.83 | 0.74 | 0.68 | 0.73 | 0.73 | .. | .. | .. | 0.74 |
| United Kingdom | 0.70 | 0.72 | 0.65 | 0.67 | 0.63 | 0.64 | 0.59 | 0.55 | 0.64 |
| United States | 0.40 | 0.47 | 0.45 | 0.42 | 0.38 | .. | .. | .. | 0.43 |

.. Data not available.

a) Unemployment benefit recipients include recipients of UI and unemployment assistance (*i.e.* benefits conditional on a means test as well as on unemployment status), and unemployed recipients of social assistance benefits in Canada and Denmark, where they are separately identified.

Source: Grubb *et al.* (2009), "Activation Policies in Ireland", OECD SEM Working Papers, No. 75, Table 4.2, updated; see Tables 4.1 and 4.2 for benefit data for Finland.

224. As discussed in Grubb *et al.* (2009), the experience of other countries suggests that activation measures reduce this ratio (unless they are focused on an already-more-employable sub-group of the unemployed, when there can be a composition effect in the other direction). Arguably one outcome from an effective activation strategy should be to keep the ratio below or at least not above one.¹⁰⁵ In Finland in the 1990s, unemployment assistance (LMS) was paid with few effective behavioural requirements, and it is likely that the labour force survey recorded the status of many LMS beneficiaries, as well as older workers on Earnings-related Allowance, as inactive.

104. In France, Japan, Norway, and Sweden – but perhaps not Portugal and the Netherlands, which have relatively large social assistance caseloads – the ratios in Table 4.3 recalculated to include social assistance benefits paid on grounds of unemployment (about half of the total social assistance cases, although exact data are lacking) would probably be still well below those reported for Finland.

105. Activation measures tend to reduce the number of people receiving unemployment benefit who are inactive (not searching for work). One factor leading to a high ratio in Finland is that about 10% of unemployment benefit recipients are, in a given week, employed at least part-time (*cf.* Table 4.6 below, where the data for recipients of adjusted allowance relate to people with some earnings in a given month). However, even in countries with comprehensive benefit systems, other factors tend to keep the ratio below 1, *e.g.* female re-entrants and people receiving student grants or incapacity benefits can be unemployed in the labour force survey but not entitled to unemployment benefit.

225. Since 1997, various factors that previously encouraged or facilitated passive receipt of unemployment benefit have been reformed, and in 2007 the ratio of benefit recipients to labour force survey unemployment fell to levels slightly below those of the 1990s. The fall concerned mainly young unemployed workers aged less than 35 (targeted by youth measures and the LMS reform of 2006, see below) and workers in the 55-59-year-old group (affected by an increase in the lower age limit for extended unemployment benefits, see below).¹⁰⁶

4.3. The history of benefit entitlements and benefit conditionality

Public works

226. As summarised by Lilja *et al.* (1990), after the Second World War and through to the mid-1960s an “employment-line” policy towards unemployment was dominant in Finland.¹⁰⁷ In the 1950s over 50% of the unemployed obtained employment through a system of centrally-organised public works. Public works were the main, and effectively the only, form of income support offered.

227. The 1963 Act on Employment markedly changed the conditions for public works jobs:

- “Unemployment” jobs were given the status of normal municipal or public jobs, so that they received the same wage rates and benefit entitlements;
- Total mobility by the unemployed was no longer required (priority was given to finding jobs for the unemployed in the municipalities where they resided); and
- If officials were unable to find a job for an unemployed person, he or she was, for the first time, eligible for unemployment benefit paid by the State.

Central government spending on public works declined considerably after the mid-1960s, although local government spending stayed rather high, at around 3% of GDP. In 1967-68, the number of payments of unemployment benefits increased considerably, although (reaching just 1% of the labour force) it was still very low by the standards of later years.

Development of the welfare state until the early 1990s

228. Finland’s welfare state was for many years less developed than those of other Nordic countries, but during the years of rapid growth after the war it expanded. By 1980, it was as comprehensive as in other Nordic countries, but benefits remained rather low. Then the last pre-recession government, in 1987-1991, introduced a programme implementing investments in employment policies, research, housing, as well as transfers for families with children and services for the elderly. Unemployment insurance, unemployment assistance and social assistance benefit replacement rates were all sharply increased in the mid-1980s (see below). Public social expenditure,

106. See data for unemployed jobseekers at the Employment Service and data from the labour force survey in MEE (2009a). The age structure of unemployed jobseekers at the Employment Service has changed radically as the number of 20-24-year-old unemployed peaked at 68 000 in 1993 and was down to 17 000 in 2007; the number of 55-59-year-old unemployed peaked at 59 000 in 1997 but was still 45 100 in 2007.

107. The “employment line” is a concept widely used in policy formulation and research in Sweden. According to Laaksonen (2000) it means that unemployment benefits as well as social assistance are conditional, and that a person unable to find employment should first be offered training, and second be offered practice in a workplace or in temporary employment, with “passive” benefit as the last option. This system “seems very similar to work-fare, but is not as strict in practice”.

excluding age pensions, increased from 12.9% in 1980 to 17.2% in 1990, the largest percentage point rise of any OECD country.¹⁰⁸

229. In 1991, existing plans for further extension of benefit programmes continued to be implemented, as at first the recession was expected to be only temporary. However, at this point the Ministry of Finance called for expenditure control, and in 1992 a paper proposed extensive structural reforms to most social security programmes, including tightening of access to unemployment provision (Van Gerven, 2008, pp. 176-178).

The introduction of the Earnings-related Allowance

230. In 1971, UI benefit conditions were liberalised: white-collar workers were no longer expected to do manual work when unemployed, and an unemployed jobseeker had the right to refuse jobs which were not in his or her trade during the first three months; and the Unemployment Pension was introduced, which later reduced the incentive to search for work by unemployed workers who could expect to qualify for it (see below). Exchequer grants covered 48.2% of the benefits paid by the union Unemployment Funds, with additional amounts being paid by employer funds. In the 1970s, there was still some variation in benefit entitlements, with most funds paying a maximum of 150 days but some “by way of exception” paying 200 days (NCSS, 1976). Benefits were not taxable. In 1972, an estimated after-tax replacement ratio was over 70%, but this fell to 40% by 1984 as the real value of benefits was allowed to decline.¹⁰⁹

231. In 1985, an earnings-related UI benefit was introduced. This more than doubled benefit levels in nominal terms,¹¹⁰ and, even though benefits were now taxable, a representative initial net replacement rate increased by about 20 percentage points, *i.e.* about 50% (Lilja *et al.*, 1990). In 1985, the level of Earnings-related Allowance was reduced after the first 100 days of unemployment, but benefits were then paid for a further 350 days. Soon afterwards, the reduction was phased out and from July 1989 benefits were paid for 500 days (100 weeks, 23 months) in total (extended for older workers). The basic structure of Earnings-related Allowance entitlements has not changed much since.¹¹¹

108. The data cited are taken from the *OECD's SOCX database* (www.oecd.org/els/social/expenditure). The increase in social expenditure, excluding age pensions, *a priori* reflects increases in benefit entitlements because the unemployment rate fell from 4.6% in 1980 to 3.4% in 1990, in contrast to increases in the majority of OECD countries between these years.

109. In 1972, benefits were three-quarters of the normal daily wage paid in the particular trade in the district concerned, with a maximum of 30 FIM (NCSS, 1976). But over the period 1971-1983, average wages more than quadrupled, while increases in typical benefit rates lagged. “In 1980, the Unemployment Insurance Benefit hardly resembled traditional insurance benefits, rather it resembled a basic security provision for workers, that paid benefits at very low level unrelated to past earnings.” (Van Gerven, 2008).

110. The 1985 reform introduced the current piecewise linear schedule (relating benefits to earnings in the former job); the nominal (pretax) benefit level appears to have been more than doubled for a person on average earnings.

111. The main changes before 2003 were the change in work-history requirement in 1997 (see below), and a reduction in the earnings-related component of benefit from 45% to 42% of the difference between the daily wage and the basic component in 1991, which was reversed in 2002 (Van Gerven, 2008, pp. 189 and 192; and Uusitalo and Verho, 2007).

The contribution condition for Earnings-related Allowance

232. Entitlement to the Earnings-related Allowance arose after 26 weeks of contributions in the two years preceding unemployment. This contribution condition came to play a crucial role in generating new periods of entitlement to benefit through participation in subsidised employment (the “carrousel” effect).¹¹²

- Under the 1987 Employment Act, municipalities and the state were obliged to offer work for 26 weeks to the long-term unemployed.¹¹³ Given that (after 1963, as mentioned above) public works jobs paid the same wage with the same benefit entitlements as normal public jobs, these subsidised jobs entitled their participants to a new period or in some cases a first period of Earnings-related Allowance. This job guarantee was implemented so vigorously that by 1990 only 3 010 people, about 3% of all registered jobseekers, had been unemployed for more than 52 weeks; and
- After 1992, the guarantee of a public-sector job offer to all long-term unemployed people was dropped, but the long-term unemployed on Earnings-related Allowance¹¹⁴ still had priority for subsidised jobs: the average number of participants in employment subsidy measures stayed above its 1992 level until 1999. Thus, it was still generally possible to provide the long-term unemployed with a public-sector subsidised job (if nothing else had been found for them) before exhaustion of their benefit entitlement.¹¹⁵ Until 1996, a

112. Even before the job guarantee was effective, a follow-up survey conducted in winter 1987 found that “39% of those employed after one year [*i.e.* employed one year after leaving a subsidised job in the public sector] were again in a subsidised job. In many high unemployment regions the programmes scarcely provide a reliable avenue to lasting employment, but merely constitute recurrent episodes of activity interspersed with spells of unemployment. This poses a serious problem for labour market policy,” (Lilja *et al.*, 1990). From 1990 to 1994, about 45% of exits from the unemployment register were into ordinary jobs and 25% were into subsidised jobs or Labour Market Training (with 30% out of the labour force or unknown), which seems consistent with the long-term unemployed mainly entering subsidised jobs (OECD, 1996a).

113. This was primarily seen as a measure implementing the principle (stated by the Finnish Parliament in 1972) of government responsibility for providing, as a last resort, opportunities for gainful employment. At about the same time, proposals for a job guarantee for the long-term unemployed in the United Kingdom aimed more at reducing the total volume of unemployment and enforcing the availability conditions for unemployment benefits (*e.g.* see Layard, 1986). By the 1990s a number of countries were implementing referrals to employment programmes under “mutual obligation” and “active period of benefits” principles, not providing ordinary wages and conditions.

114. The original job guarantee also benefited the long-term unemployed on assistance benefit (at that time, Basic Allowance), as can be seen from the small number that remained long-term unemployed on the register by 1990. Thus, even people who had never worked in a market job would have been qualified for Earnings-related Allowance. A study of the long-term unemployed, including interviews with administrators, by Vähätalo (1991) suggests that at this time even “marginalised” long-term unemployed, who need social policy rather than manpower policy measures, alternated between unemployment and statutory subsidised employment. After 1992, assistance beneficiaries were probably not often referred to subsidised jobs since, as noted elsewhere in this report, for adult-LMS recipients rates of participation in an active programme of any kind were close to zero and unemployment spells of more than two years were common.

115. Koskela and Uusitalo (2004) show that for people entering unemployment in 1995 to 1998, the hazard rate to a labour market programme more than doubled after the 360th day (*i.e.* 72nd week) of unemployment, although by 1995 to 1998 the availability of subsidised jobs was beginning to decline. Based on the distribution of registered unemployment by duration [published in MEE (2009a)], the number of people crossing the threshold of 2 years unemployed can be estimated at about 50 000 in 1994 and 1995. The stock of people in subsidised work in these years was over 60 000. This implies

temporary job of precisely 26 weeks renewed benefit entitlement with no change in the subsequent benefit level, *i.e.* the renewed benefit was related to earnings in the earlier job rather than in the six-month subsidised job (OECD, 1996a, p. 116).¹¹⁶

233. There is some statistical evidence from the job-guarantee period that this provision increased entries to short-term unemployment and reduced independent job search.¹¹⁷ In the mid-1990s, subsidised jobs in the private sector also tended to displace ordinary jobs.¹¹⁸ There is evidence that people on Earnings-related Allowance as late as 1997 generally expected to be able to enter a subsidised job.¹¹⁹ This discouraged job-search or other activity: unemployed people could fear that participation in Labour Market Training or a short-duration unsubsidised job would reduce their chance of being allocated a subsidised job,¹²⁰ and if they took an unsubsidised job with lower wages long enough to re-qualify for benefit, the wage base for the calculation of future benefits would be lowered. Along with the immediate protection of income levels during unemployment, this was an incentive for skilled workers to stay unemployed if the alternative was to take ordinary work at a lower wage.

234. In 1997, the contribution requirement for benefit entitlement was increased to 43 weeks while the typical duration of hiring subsidies paid to public sector employers remained unchanged at 26 weeks. A single period of subsidised employment was no longer sufficient to renew benefit entitlement.¹²¹ Moreover the volume of subsidised employment for Earnings-related Allowance recipients was sharply reduced, declining from a peak stock of about 12 000 places in central government and 25 000 in municipalities in the mid-1990s, to 2 000 and less than 6 000, respectively, by 2005.

that there were over 100 000 entries to subsidised work per year (since most subsidised jobs are for six months), easily enough to offer a job to all people crossing the threshold of two years unemployment. By 1996, 41 000 LMS recipients had dropped (at some time, not only in the past year) from Earnings-related Allowance to LMS (KELA, 2008a, Table 111).

116. From 1997, the new earnings-related benefit level had to be based on the most recent earnings fulfilling the employment condition, but at least 80% of the previous benefit level (information from the Benefits and Wages country-specific file for Finland).
117. The statutory placement obligation in the 1987 legislation was implemented in stages. In the “comprehensive obligation” areas where it was implemented first, in 1988 and the start of 1989, total unemployment fell faster than in other areas, but the decline in the number of short-term unemployed was smaller and the rate of termination of unemployment spells through the acquisition of jobs in the open labour market *via* the Employment Service was lower (Lilja *et al.*, 1990, pp. 183-187).
118. Due to employers “speculating” as described in Chapter 3.
119. Räsänen and Skog (1998) wrote that “...the goal of an Earnings-related Allowance following participation in a labour market policy measure has accompanied, and often outweighed, the basic aims set within the support system, in legislation and in the implementation of labour market policy measures. During the recession, some labour market policy measures have rather operated as part of income distribution policy, which has indeed often been thought of as more important than the official goals”.
120. A person who took a temporary (*e.g.* 3-month) market job or Labour Market Training and then re-entered their previous period of benefit entitlement would typically be unemployed for less than two years (according to the PES register) when they reached the 500-day (2-year) limit, and thus not qualify for a subsidised job.
121. Only a maximum of 16 weeks of receipt of Training Subsidy could be included in the work record (Van Gerven, 2008), so training followed by a 26-week job would still fall just short of meeting the new requirement. As described by Øverbye (2006), in Finland “After 1997 it is no longer possible to qualify for a new period of benefits by only participating in public support work”.

Eligibility conditions for unemployment insurance (UI) benefits

235. Claimants of the flat-rate unemployment benefits paid before 1984 had to be registered at the Employment Office, seek (full-time) employment as well as accept any job offer after three months on benefit. The 1984 reform added a requirement for claimants to be demonstrably available for work.¹²² In 1993, claimants were required to accept suitable jobs immediately even if the wage was less than the benefit level, and the right of people over 50 to turn down a job offer or training was abolished (Van Gerven, 2008, p. 189). However such changes, apparently introducing stricter conditions, seem to have been to a large extent attempts at enforcing conditions that were intended by the original legislation but were not being implemented.

236. As regards action plans, the 1984 legislation also required claimants to compose a work-search plan at the beginning of their unemployment spell (Van Gerven, 2008, pp. 181, 186 and 196). OECD (1996a, p. 171) reported that the body of rules surrounding this plan was not specific and it was in practice often first invoked only when entry into an active labour market programme became necessary to prevent benefit exhaustion (*i.e.* after nearly two years). As regards job-search obligations, the 1987 Employment Act was interpreted to mean that the Employment Office and municipalities were responsible for presenting job offers to the claimant. Policy changes at national level in 1993¹²³ and 1998 attempted to shift responsibility for job search to the unemployed themselves, but a legal requirement for reporting of job-search actions was not introduced and at the implementation level Employment Offices have not required such reporting to any great extent (see Chapter 3).

Assistance benefits for the unemployed

237. Employable people who claim social assistance are typically expected to claim LMS. Therefore, although unemployment assistance (LMS) and social assistance are separate systems, labour market policy analysis needs to look at the *combined* effect of the two systems.

Labour Market Support and the Basic Allowance

238. Under the 1971 Act on Employment, a “basic unemployment allowance” was payable “to all unemployed jobseekers aged 17-64 who are fit and looking for full-time employment, provided they are not eligible for union fund benefits... As for the means test, nearly all types of income, personal as well as spouse’s, are taken into account when calculating the allowance” (Lilja *et al.*, 1990).

239. A new benefit, LMS, in 1994 replaced the former Basic Allowance for people who do not meet the minimum employment requirement for entitlement to Unemployment Allowance or have received it for the maximum period.¹²⁴ It is paid without means-testing for the first 180 days after exhaustion of an Unemployment Allowance. At the same time, the “Basic Allowance” which had been means-tested became an Unemployment Allowance paid at a flat rate without means-testing, for

122. This was “a prominent change as it later led to the removal of several smaller groups from unemployment benefit programmes (for instance stay home parents receiving home care allowance (1987), persons on early retirement (1987), and rehabilitation or training subsidy (1990, 1991)” (Van Gerven, 2008, p. 186). However Räsänen and Skog (1998) observed that “Unemployed job-seekers are regarded as being available to the labour market, unless their response to an offer of work demonstrates otherwise”, indicating that Employment Offices still did not assess availability for work in any other way.

123. “...in 1993, the obligation to find work for the young and long-term unemployed (introduced in 1987) was shifted from the state to the unemployed themselves” (Van Gerven, 2008).

124. A person entering the labour market for the first time must complete a qualifying period of five months. This waiting period does not apply to persons who have just completed their education at a vocational education institution.

people who meet the contribution conditions for Earnings-related Allowance but are not members of an Unemployment Fund.¹²⁵ The net effect of the 1994 reforms was that the means-tested allowance was replaced by a non-means-tested allowance in two situations:

- For 180 days (LMS without means-testing), in the case of people who have exhausted a 500-day Earnings-related Allowance; and
- For 680 days (500 days of Basic Allowance followed by 180 days of LMS without means-testing), in the case of people who met the employment requirement but are not members of an Unemployment Fund.

However a restrictive change was introduced for young people living at home, since LMS is paid at 60% of the regular level in this case.

240. In this way, the 1994 reform extended benefit coverage to some situations that formerly had been disqualified by the means test. From 1993 to 1997, the number of people registered unemployed for between 53 and 104 weeks fell from 70 100 to 65 000, but the number of people registered unemployed for over 104 weeks increased from 10 100 to 57 000 (one-seventh of total registered unemployment).¹²⁶ Although the recession (with some increase in inflows to unemployment two years previously)¹²⁷ and the abandonment of the job guarantee after 1992 no doubt played a large role, it seems plausible that the new benefit entitlements could also have contributed to the rapid increase in the numbers out of work for more than two years.¹²⁸

241. It seems likely that since 1971 there has always been some financial incentive for both members of many out-of-work couples (without a UI entitlement) to claim Basic Assistance (later LMS). Also, changes to the means test since the 1990s have made it possible for more spouses with a working partner to a certain amount of assistance benefit (see below). These characteristics of the benefit system probably encourage married women to enter the labour market more than in other countries, but to a certain extent as unemployment benefit recipients.

Municipal social assistance

242. In contrast to LMS which is financed at national level, until recently municipalities bore nearly all of the burden of financing social assistance at the margin.¹²⁹ Prior to 1983, municipalities had

125. “The conditions for receiving basic daily allowances were brought into line with Earnings-related Allowances in 1994, so that having been in a job became a condition of receiving basic daily allowances and a 500-day maximum period became effective.” (Heikkilä and Keskitalo, 2002).

126. See MEE (2009a, Table 16) “Unemployed Jobseekers at the Employment Service by Duration of Unemployment”.

127. Although the number unemployed for zero to four weeks (a proxy for monthly inflows to unemployment) rose only rather moderately, from 44 900 in 1991 to 56 200 in 1995.

128. By 1996, LMS was being paid to 30 000 people who had “dropped” from Earnings-related Allowance to LMS (Räisänen and Skog, 1998). This was a fairly high proportion of the number of people registered as unemployed for more than two years.

129. There has long been central government funding earmarked to partially cover social assistance costs, but this has been structured so as to leave municipalities with close to 100% of the savings at the margin if they reduce these costs. According to Timonen (2003) “Allocating the responsibility for financing social assistance has been a thorny issue in Finland. Finnish municipalities pay approximately 80% of the costs of social assistance, and the central state grant system did not take into account variations between municipalities in the proportion of inhabitants receiving social assistance. This was one of the strongest pressures on municipal finances in the 1990s...”. Government of Finland (2009) states that before 2006 “municipalities funded the social assistance with the help of a government

extensive powers of discretion in granting assistance, and could for example choose to provide help in kind (e.g. firewood instead of cash assistance in winter). Since then, national legislation has defined minimum cash entitlements. After 1982, the basic amounts for singles and lone parents were raised rapidly, from 44% to 50% of a full national pension in 1984, to 55% in 1986, and to 80% in 1988.¹³⁰

243. Because social assistance is usually paid as a top-up to other benefits, social assistance payments to the unemployed are on average only a fraction of their LMS benefits.¹³¹ This can explain why in the 1990s municipalities in Finland did not develop separate employment offices for social assistance clients and (in contrast to the large-scale provision of municipal jobs for those on UI benefit) only occasionally (see below) offered them temporary municipal jobs.

244. At first the law was somewhat ambiguous on the question of whether municipalities are obliged to provide assistance to people who have refused work or make themselves unavailable for work. Municipalities considered that they were obliged to cover basic needs but could reduce benefit levels in case of non-availability for work (OECD, 1996a). However, in practice sanctions for non-availability were rarely applied. According to Heikkilä and Keskitalo (2002), “As a first step, in 1996, clients refusing job offers or activation measures had their [social assistance] benefits cut by 20%. The real reform of the social assistance system occurred in 1998, when the relevant legislation underwent partial reform with the introduction of the Social Assistance Act (1412/97), which reduced the level of the allowances in some respects. The client’s responsibility was increased and activation requirements were ratified”.

Eligibility conditions for assistance benefits

245. Given that social assistance was before 1998 paid based mainly on the means test and not much influenced by the claimant’s labour market behaviour, a benefit sanction that led to withdrawal of LMS could make the client eligible for social assistance (or a corresponding increase in the amount of social assistance) which replaced to a large extent (and perhaps in some cases completely) the lost amount of LMS.¹³² Except for youth, LMS was paid with no requirements for participation in programmes, except possibly for Labour Market Training.¹³³ In this context, as described by Räisänen and Skog (1998),

appropriation of 33% on average”: but since this is only “on average”, the grant system described by Timonen probably still applied. The situation as from 2006 is described below.

130. With the large increase in 1988, costs of living such as a TV license, newspapers, telephone bills, clothing expenses and costs for hobbies which formerly were met by discretionary supplements were included in the basic amount and benefit administrators’ discretion was reduced (Van Gerven, 2008).

131. “...the costs involved are extremely low in proportion to social security expenses overall. This is due to the supplemental nature of the social assistance over and above that of other benefits. In 1998, Finland’s labour market support expenditure came to FIM 5 357 million (EUR 900 million). Advance data indicate that social assistance spending amounted to FIM 2 600 million (EUR 437 million)” (Heikkilä and Keskitalo, 2002). Probably well under half the expenditure on social assistance relates to people on LMS (see Table 4.9 below).

132. In the 1980s “In the budget the cost of employment policy is divided between the Ministry of Labour and the Ministry of Social Affairs and Health. The municipalities have to take part in paying unemployment costs if employment office has arranged waiting-time for a person who has refused to fill offered job” (Heikkilä and Rintala, 2006).

133. Räisänen and Skog (1998) noted that “Active measures related to labour market support (concerning 10-15% of the recipients) are nearly always aimed at job-seekers under 25 years of age”. Van Gerven (2008) notes that the 1993 legislation that created LMS provides for a Special Daily Allowance and an Accommodation Allowance for those who participated in activation measures, but “These allowances raised the level of payments. Significantly, jobseekers were encouraged to

“a typical recipient of labour market support is a long-term unemployed person for whom the support has become a permanent source of income”, and those who had already been unemployed for two years could be expected on average to remain unemployed about six years.

246. With the 1998 reform of social assistance, it seems that municipalities did start to effectively sanction the refusal of jobs by long-term unemployed people on LMS.¹³⁴ The 2001 Act on Rehabilitative Work Experience then aimed to “to improve the prospects of the long-term unemployed who are receiving LMS or social assistance... The key reform in the legislation is the activation plan, which Labour Administration and the local authorities prepare together with the unemployed person. ... Activation plan denotes an overall set of measures, which includes... a new element, the opportunity (in certain circumstances, the obligation) to take part in rehabilitative work experience. Guidance towards rehabilitative work experience process is basing on age and the way a person’s income is secured during the unemployment.” (Heikkilä and Rintala, 2006). Adult LMS recipients were required to attend interviews and participate in guidance, but they were not clearly obliged to participate in the new labour market programmes.¹³⁵ As such, this was still a rather weak activation measure.¹³⁶

247. Experience from other countries suggests that conditionality and activation measures for assistance benefits can reduce their caseloads by a factor of about three.¹³⁷ Similarly, the caseloads of assistance benefits in countries where these are financed at the margin entirely by municipalities or regions (which then make the entitlement strictly conditional) are generally about three times lower than they have been until recently in Finland.¹³⁸

Impact on unemployment

248. The above summary highlights several features in Finland’s benefit system and labour market policies before 1990:

-
- participate by providing carrots, not sticks”. The actual rate of participation in measures by jobseekers aged 25 or more in 1998 was very low: see Table 5.3 in Chapter 5.
134. “The Social Assistance Act (1412/1997), which came into force in 1998... implicitly obliges social welfare authorities to act in conjunction with offers of work or training provided by the employment authorities. They are therefore obliged to make themselves aware of decisions made by the employment authorities regarding unemployment benefits.” (Heikkilä and Keskitalo, 2002).
135. See the discussion of job search and programme participation requirements below.
136. A procedure where benefit recipients must attend interviews, but not do anything else, is applied by the United Kingdom for inactive (lone-parent and disability) benefit recipients. Ireland requires unemployment benefit recipients to attend National Employment Action Plan interviews, but these appear to generate no sanctions for refusal of jobs or programmes because no referrals are made (Grubb *et al.*, 2009).
137. For example, unemployment in the United Kingdom (covered mainly by an assistance benefit) rose to three million in the 1980s after several years where benefits were paid with very little conditionality, but remained close to one million after 1998-2000 with a regime of individual action plans, fortnightly short interviews, and potential compulsory referrals to a labour market programme for the long-term unemployed. Similarly, Welfare Reform in the United States in 1996 reduced caseloads from three million (in the 1970s, 1980s and early 1990s) to one million (where they remained until the current recession).
138. This statement refers particularly to Austria, Norway, Sweden, and Switzerland: in the Netherlands municipalities only became fully responsible for financing social assistance benefits in 2004, and in Spain regions are responsible for providing social assistance benefits, but provision is patchy.

- The welfare state grew very rapidly. Before 1963 Finland had no unemployment benefits, but by 1980 its welfare state had caught up in terms of comprehensiveness with that of other Nordic countries. A general entitlement to cash social assistance benefits was introduced in 1983 and its rate was increased several times. In 1985, earnings-related unemployment benefits, providing a much higher replacement rate and longer benefit duration, were introduced. Based on experience from other countries, such a combination might be expected to lead to rapid caseload growth over the next 10 or 15 years;
- Assistance benefits were nationally financed, but management of the Employment Offices is not strongly centralised and decisions about benefit sanctions are taken by local Labour Committees. In several respects, the principle of conditionality of benefits on effective availability for work was not clearly established. Thus, the tendency for caseload growth after the introduction of new benefit entitlements was counteracted by Employment Office referrals to job vacancies but not by other activation measures;
- For those on insurance benefits, the 1987 Employment Act made the Employment Offices and the state responsible for providing as a last resort a public-sector job with ordinary working conditions, which would renew the participant's earnings-related benefit. In significant parts of the labour market, a pattern of cycling between the earnings-related benefit and subsidised work displaced ordinary market work; and
- State responsibility for providing work was understood to mean that workers were not, during unemployment, expected to search for work themselves. However, when referrals to job vacancies are the only method of intervention in the unemployment spell, the frequency of contacts with the unemployed falls sharply during a recession.¹³⁹

249. Probably no other country has had such a combination of increases in benefit entitlements over the preceding decade with a relative absence of activation measures especially those relevant in a recession.¹⁴⁰ Against this background, the increase in unemployment in the early 1990s might be seen partly as the consequence of the policy changes some years earlier, and not only the consequence of negative demand shocks, which has been the interpretation favoured by most authors.¹⁴¹ Although Finland suffered negative demand shocks in the early 1990s, it is not clear that these were

139. OECD (2007c) interprets activation measures as interventions in the unemployment spell whose frequency varies across countries and through time. If, in a recession, vacancy notifications fall by half and unemployment doubles, the average frequency of contact with the unemployed *via* referrals to vacant jobs falls by three-quarters. By contrast, the frequency of contacts generated by a fixed schedule for interviews at the employment office (*e.g.* every two weeks) is unaffected by recession. Also, under an obligation to participate in further measures after six months or a year of unemployment, the frequency of contact increases in recession since the average duration of unemployment spells increases.

140. The job guarantee in 1987 arguably sought to implement the principle that the government should act as an employer of last resort, thus providing jobs with ordinary wages and conditions, contrasting with the “mutual obligation” and “active period of benefits” principles followed by other countries in the 1990s.

141. Experts have differing views as regards which demand shocks were responsible.

unprecedented or unique to the same extent as the rise in unemployment.¹⁴² Labour market and social policies may have amplified, and later prolonged, the labour market dimension of the downturn.

250. Gorodnichenko *et al.* (2009) provide one perspective on this since they report that “Our simulations also suggest that downward wage rigidity observed in Finland played a key role in the amplification of the downturn produced by these shocks”. There is some evidence of downwards rigidity of low wages at the time. According to Arter (1999), “Heikkilä and his colleagues analysed the development of income distribution in Finland over the years of the recession until 1993. They found that, whilst unemployment rose sharply to nearly 20 per cent... income differentials did not. The primary reason was the generous nature of benefits”. The ratio of bottom-decile to median earnings in Finland rose from 1989 to 1993 (www.oecd.org/els/employment – *OECD Online Employment database* – Distribution of gross earnings of full-time employees), which is not usually expected in a recession but seems consistent with the Earnings-related Allowance and the job guarantee acting as disincentives to taking a market job with lower wages than previously.¹⁴³

251. Policy reforms in the 1990s and early 2000s contributed to the reduction in unemployment rates by tackling the “carrousel” effect from subsidised jobs and strengthening benefit conditionality in some areas. However, the activation measures remain in several respects weaker than in several other countries with similar or slightly higher levels of benefit generosity. In this sense Finland’s still-high rates of benefit reciprocity can be interpreted as the outcome of the current set of policies, rather than past or current macroeconomic shocks. It is true that the current policies are largely determined by the legacy of institutions, legislation and rights and interests established in earlier decades, in line with the political science concept of path dependence, but still there is much scope for change from directions such as analytical understanding (to which this report hopefully contributes), social debate and political leadership.

4.4. Unemployment insurance (UI) benefits and their administration

252. Table 4.4 gives a general overview of unemployment benefits and related benefits paid to participants in active measures in terms of year-end stocks. Since 1995, most recipients have been on either the Earnings-related Allowance – the main UI benefit –, or Labour Market Support (LMS) – the main unemployment assistance benefit. Smaller numbers receive Basic Allowance, which is similar to Earnings-related Allowance but without the earnings-related component; and Integration Assistance for immigrants, which is similar to LMS but requires a high level of participation in active measures. It should be noted that the “active share” in Table 4.4 only includes active programmes where participants receive a different type of benefit, and not those where they either still receive the ordinary unemployment benefit or receive a wage (while the employer receives a wage subsidy).

142. There have been many episodes where OECD countries experienced larger and more prolonged declines in exports than Finland did in the 1990s: in 2009 Japan’s exports in some months were 40% lower than a year earlier, without any such increase in unemployment.

143. The finding that incomes were maintained during the recession is not inconsistent with a finding that those who lost their jobs during the recession (specifically, in 1992) suffered earnings losses upon re-employment (Appelqvist, 2007). When non-take-up of work with a lower wage tends to lead to long-term unemployment, it further reduces the final re-entry wage due to loss of human capital.

Table 4.4. **Unemployment benefit recipients by type of benefit, 1990-2008**

Numbers and percentages

| | Recipients of passive benefits | | | | | Recipients of an allowance while in an active measure | | | | | | Active share ^{a, b} |
|------|--------------------------------|------------------|-----------------|------------------|--|---|-------------------------------------|---------------------------------|---|-----------------------|---|------------------------------|
| | Total | Earnings-related | Basic allowance | LMS ^c | Integration assistance for immigrants ^d | Total ^a | Labour market training ^a | Training allowance ^a | Job-Alternation compensation ^a | LMS with wage subsidy | Integration assistance during training ^d | |
| | | | | | | Year-end stock ^e | | | | | | % |
| 1990 | 128 850 | 78 020 | 50 830 | – | – | – | – | – | – | – | – | – |
| 1991 | 330 140 | 203 500 | 126 640 | – | – | 22 160 | 22 160 | – | – | – | – | 6.3 |
| 1992 | 480 150 | 292 900 | 187 250 | – | – | 32 070 | 32 070 | – | – | – | – | 6.3 |
| 1993 | 541 120 | 322 410 | 218 710 | – | – | 26 400 | 26 400 | – | – | – | – | 4.7 |
| 1994 | 500 760 | 270 470 | 148 130 | 82 160 | – | 26 500 | 26 500 | – | – | – | – | 5.0 |
| 1995 | 478 710 | 249 790 | 54 200 | 174 720 | – | 29 760 | 29 760 | – | – | – | – | 5.9 |
| 1996 | 461 210 | 254 240 | 32 250 | 174 720 | – | 32 100 | 28 510 | – | 3 590 | – | – | 6.5 |
| 1997 | 401 140 | 195 980 | 23 900 | 181 260 | – | 31 880 | 27 150 | 690 | 4 040 | – | – | 7.4 |
| 1998 | 371 410 | 167 370 | 18 570 | 185 470 | – | 35 580 | 21 760 | 1 860 | 5 820 | 6 140 | – | 8.7 |
| 1999 | 349 566 | 156 840 | 17 510 | 172 520 | 2 696 | 32 790 | 14 190 | 1 630 | 5 290 | 10 180 | 1 500 | 8.6 |
| 2000 | 311 316 | 136 200 | 16 530 | 155 750 | 2 836 | 32 683 | 11 210 | 1 010 | 6 400 | 12 240 | 1 823 | 9.5 |
| 2001 | 306 321 | 130 260 | 17 930 | 155 200 | 2 931 | 30 644 | 10 210 | 1 050 | 5 800 | 11 610 | 1 974 | 9.1 |
| 2002 | 303 064 | 129 720 | 19 060 | 151 250 | 3 034 | 37 678 | 13 330 | 1 360 | 6 130 | 14 530 | 2 328 | 11.1 |
| 2003 | 310 472 | 139 120 | 21 970 | 145 630 | 3 752 | 37 283 | 13 040 | 1 580 | 5 830 | 15 020 | 1 813 | 10.7 |
| 2004 | 306 632 | 137 970 | 22 270 | 142 590 | 3 802 | 36 637 | 13 060 | 1 570 | 5 560 | 14 690 | 1 757 | 10.7 |
| 2005 | 287 676 | 130 630 | 20 740 | 132 180 | 4 126 | 34 709 | 11 350 | 1 610 | 5 830 | 14 410 | 1 509 | 10.8 |
| 2006 | 252 484 | 114 910 | 17 920 | 114 980 | 4 674 | 22 530 | 12 030 | 1 730 | 6 700 | 540 | 1 530 | 8.2 |
| 2007 | 222 065 | 101 230 | 16 150 | 99 940 | 4 745 | 22 502 | 11 670 | 1 810 | 7 280 | 10 | 1 732 | 9.2 |
| 2008 | 233 486 | 113 170 | 20 530 | 94 350 | 5 436 | 21 374 | 10 820 | 1 540 | 7 030 | – | 1 984 | 8.4 |

– Not applicable

- a) Data for participants in Labour Market Training from 1991 to 1998 relate to the cumulative number of participants during the year, which overstates the year-end stock of participants.
- b) Active share = Total with an allowance (while participating in an active measure) / (Total with an allowance and with passive benefits) x 100. This does not include active programmes where participants either receive a wage (while the employer receives a wage subsidy) or receive an ordinary unemployment benefit.
- c) Statistics for LMS include recipients in an active measure, other than LMS with wage subsidy. By 2007, 23% of LMS benefit-days were paid during participation in an active measure.
- d) Secretariat estimates for 1999 and 2008.
- e) The seasonality in registered-unemployment data for December and January suggests that year-end stocks exceed annual average stocks by about 6% on average.

Source: KELA and ISA (2009), *Statistical Yearbook on Unemployment Protection in Finland 2008*, Time-series Table 2; KELA (2008a), *Statistical Yearbook of the Social Insurance Institution 2007*, Table 121; and Secretariat estimates.

Standard entitlements to an Unemployment Allowance

253. Since 2003 and until 2008, the contribution conditions for entitlement to Earnings-related or Basic Allowance were:

- Employees who have not already received an Unemployment Allowance meet the condition for initial qualification when they have been 43 weeks in social-insurance-covered employment, with a minimum of 18 working hours each week, during the immediately preceding 28 months; and
- Employees who have already received an Unemployment Allowance since 1 January 1997 can re-qualify for this allowance when they have been 34 weeks in social-insurance-covered employment, with a minimum of 18 working hours each week, during the immediately preceding 24 months.¹⁴⁴

A number of special conditions apply, which include:

- In certain circumstances, the weekly working hours limit can be relaxed or waived;
- When the employer receives a subsidy for wage costs, only half the work can be counted towards the employment condition; and

144. The qualifying period was increased from 26 weeks to 43 weeks in 1997 and reduced to 34 weeks, in cases of requalification only, in 2003. In 2009, the qualifying period for initial qualification was also reduced to 34 weeks.

- The 24- or 28-month periods can be extended by a maximum of 7 years in various circumstances, including military service, full-time study, child care, time in employment not counted towards the employment condition (see above).

The role of Unemployment Funds

254. Employees in Finland can contribute, on a voluntary basis, to one of 34 wage-earners' Unemployment Funds. Self-employed people can contribute to one of two entrepreneur's funds.¹⁴⁵ Historically the wage-earners funds were all administered by trade unions but in 1992 an independent fund, so-called "General Unemployment Fund (YTK)", which tends to provide earnings-related UI for a price below typical union membership fees, was set up. In the recession from 1990 to 1994, fund membership as a percentage of the labour force increased from 53% to 86%. By the mid-2000s 80% of the labour force were members of a union fund and another 10% were members of YTK (www.eurofound.europa.eu/eiro/2005/10/feature/fi0510202f.htm). Only people who are members of a fund, during the weeks that meet the employment condition, are entitled to Earnings-related Allowance.

255. Fund membership is voluntary and employee contributions finance only a small proportion of the benefits paid to members (the remainder being covered by employer contributions and a state subsidy). The quasi-competitive status of the funds makes their management concerned to serve existing members and attract new ones, probably encouraging a tendency to be as generous as possible within the rules, or in some cases stretch the rules. In 1970, the maximum duration of daily cash benefits was 150 days during a given calendar year but some funds paid 200 days, which then became a recognised exception (NCSSS, 1973; and 1976). In the 1990s, the practice of renewing benefit entitlement with no change in benefit level, following a subsidised job of 26-week duration, seems to have emerged as an agreed practice rather than having a basis in legislation.¹⁴⁶ Such developments are less likely to occur with a centralised benefit administration.

256. Other countries have had some experiences where competing social insurance funds (with centralised pooling of the financing) have found ways to be generous to their members beyond their official remit:

- In the Netherlands, where disability insurance (and other social insurances) were managed by bipartite Industry Insurance Associations without effective supervision by central government, the rate of disability benefit receipt grew in the 1970s to reach the highest level in the OECD by 1980 (see Table 4.1).¹⁴⁷

145. Except for self-employed people who had started their business to escape from an earlier episode of unemployment, the self-employed became entitled to unemployment assistance when LMS was introduced, and 1995 became entitled to earnings-related benefit, conditional on fund membership (Van Gerven, 2008, note 228). Since incomes from an ongoing business fluctuate, defining the start date of unemployment is an issue. In general, the entrepreneur applying for benefit must prove that he/she has closed down his/her business or ceased business operations at least four months ago. If the business has been operating for at least 18 months, the fund must determine profits from the sales or closing of the business, which delay the start of eligibility for Unemployment Allowance (www.ouka.fi/ouluseutu/yrityspalvelut/howto/setup/unemployment_security.htm).

146. At least, it is not mentioned in the detailed review of the history of legislation by Van Gerven (2008).

147. In the early 1990s, an All-Party Parliamentary Inquiry into the functioning of the organisation of the Dutch system of social insurance found (as summarised by Visser and Hemerijck, 1997) that "The Industry Insurance Associations had no existential interest in getting people off welfare, since their organisational survival and growth correlated with the number of inactive citizens". The Industry

- In Denmark, UI funds in the early 1990s rarely acted on Employment Office notifications of negative outcomes (*e.g.* refusals of jobs) by imposing a benefit sanction (according to a survey, the funds quite often denied having received the notification). An important element in the 1994 policy reforms was the creation of a Ministry of Labour “availability inspection unit” to supervise communications to the funds and their follow-up (OECD, 1996a; and 2000).

257. Although tight central government supervision can limit the funds’ autonomy, this limits the scope for client choice and competition, and may lead to policy rigidity. Finland (like Denmark and Sweden) should reconsider whether the fund system is really a good solution in modern conditions, and if it is not, merge their operations into the national social security and tax administration.

258. The administration costs of independent UI administration funds included in the *OECD/Eurostat Labour Market Programme database* were, in 2006, 0.14% of GDP in Denmark, 0.07% in France (for UNEDIC, a national bipartite organisation), 0.05% in Belgium (for the *Organismes de paiement*), and 0.04% in Finland, Sweden, and Switzerland (for *Caisses de chômage*). However in Belgium the benefit administration costs of the state organisation (ONEM) are a further 0.05% of GDP, giving total costs of 0.10% of GDP. In Finland, the 0.04% relates only to administration of the earnings-related benefit, which corresponds to only half of all unemployment benefit recipients. Taking also the unemployment benefit administration costs of Employment Offices and of KELA into account, the total probably exceeds 0.08% of GDP.¹⁴⁸ Countries without separate unemployment benefit administration organisations generally have lower administration costs (0.05% of GDP in Germany and below this in most other countries)¹⁴⁹ – although this might also be related to smaller number of unemployment benefit recipients (relative to the population). On balance, the system of separate UI funds tends to involve higher administration costs, although this remains perhaps a less significant issue than the broad political/administrative implications of the system.

Benefit level and replacement rate for Earnings-related Allowance

259. The standard earnings-related benefit (at 1 January 2008) consisted of:

- A basic component equal to the Basic Allowance: EUR 25.63 per day; *plus*
- Earnings-related component: 45% of the difference between the reference daily wage (which is calculated as the monthly wage when in work,¹⁵⁰ divided by 21.5) and the basic allowance, up to a monthly earnings ceiling 90 times the Basic Allowance: *plus* 20% of earnings above this ceiling; and
- Child supplements at a fixed rate (the same as for Basic Allowance) (about EUR 4 per day for one child and EUR 9 per day for three children).

Insurance Associations were formally transformed into implementation bodies under a National Social Insurance Institute (LISV) in 1997, and merged into a single body between 2000 and 2002 (Jang, 2007).

148. This is related to estimates reported in Chapter 2 that about 800 Unemployment Fund staff, 350 Employment Office staff and 750 KELA staff work on the unemployment benefit administration function.

149. Benefit administration costs above 0.05% of GDP are reported to OECD by the Netherlands and the United Kingdom, but in these countries the figures include the administration of other working-age benefits (disability, lone parent and various other benefits, in the UK case).

150. The reference wage entered into the calculation of benefit is the *gross* wage, excluding holiday pay or holiday-bonus pay, and reduced by 4.44% which represents the wage-earner’s employment pension and unemployment pension contributions. The benefit paid is then liable to income tax but not to these social insurance contributions.

The reference earnings are based on the most recent earnings fulfilling the employment condition, except that the new earnings-related benefit level must be at least 80% of the previous benefit level when the new entitlement arises before the 500-day maximum (*Benefits and Wages: Statistics*, country-specific files, country-chapters information, Finland 2007, www.oecd.org/dataoecd/7/43/42489688.pdf).

260. In standard cases of full unemployment, this daily benefit is paid after a qualifying period of 7 days and for a maximum of 500 days. Benefits are paid 5 days a week – this is why the 500 days are cited elsewhere in the text as 100 weeks (or 23 months). The basic component paid for a year corresponds to about 18% of the Average Wage.¹⁵¹ In contrast to Denmark and Sweden where the benefit amount is capped at a relatively low level, the benefit amount in Finland increases continuously with earnings.¹⁵² For earnings at 67% of the Average Wage, the initial *net* replacement rate for unemployment in Finland is slightly lower than the average for Denmark, Norway and Sweden, whereas at 150% of the Average Wage it is slightly higher.¹⁵³

Patterns of requalification for Earnings-related Allowance

261. As described above, the role of subsidised jobs in qualifying recipients for a new period of Earnings-related Allowance was much reduced after 1997 by an increase in the contribution weeks required and a reduction in the volume of subsidised job created.

262. The Combined Subsidy introduced in 1998 departed, although only for LMS recipients, from the principle that subsidised jobs should have ordinary working conditions, notably in terms of contributing to the qualifying period for future benefits. The Combined Subsidy jobs were treated for contribution purposes as a hybrid, part-benefit and part-work. Only a third of the weeks worked, up to a maximum of 16 weeks, were allowed to count towards the employment condition for the Earnings-related Allowance (or Basic Allowance).¹⁵⁴

263. As from 2003, the main employment subsidy (pay subsidy) can be paid at standard or “raised” (*i.e.* higher) rates. During the first 500 days of unemployment, the subsidy is paid at standard rates (see MEE, 2008, p. 74), and subsidised employment counts in full towards the employment

151. Calculated from 2007 data (www.oecd.org/els/social/workincentives).

152. See Eriksson *et al.* (2002) for a chart comparing benefit schedules in the Nordic countries in 1998.

153. The calculations of initial *net* replacement rates are subject to some caveats cited above (although in most countries housing benefits are assumed to not be paid at this stage). The rates in 2007, averaged across four family situations, at 67% and 150% of the Average Wage, are 79% and 54% respectively in Finland, 81% and 50% respectively in Denmark, Norway and Sweden (on average) and 70% and 50% respectively for OECD countries on average (www.oecd.org/els/social/workincentives).

154. *Source:* Advice from Tiina Korhonen, senior inspector in the Ministry of Labour, Income security, in 2006. Räisänen and Skog (1998) regarded the limitation of benefit entitlements as essential for the success of this new employment subsidy: “in view of the experiences from the joint effects of subsidised work and the minimum periods of employment for unemployment allowances, application of a minimum period of employment to the new combined subsidy would lead to a situation where the unemployed would rather wait until their unemployment had lasted 500 days to get a job on labour market support, which would have to be paid entirely out of government funds. ... A measure that was originally meant to be active would become passive and merely return a person to unemployment and to the start of alternating between unemployment security and labour market support. ... Paying labour market support to a person in an employment relationship and crediting the employment for the minimum period required for an unemployment allowance cannot therefore be considered practicable”.

condition: after this, the subsidy is paid at the higher rates, and only half of the weeks of subsidised employment count towards meeting the employment condition. This continues, for people on Earnings-related Allowance, the principle that the subsidised work counts towards the employment condition, with a rationale in terms of the lower rate of subsidy.

264. Some “carousel” effect also seems to arise through unsubsidised temporary contracts, particularly in public-sector employment. The occupations with the highest incidence of Earnings-related Allowance payments among the unemployed are Health and Nursing Work (63%), Social Work (62%) and veterinary, dental and pharmaceutical work. Nursing, in particular, suffers from acute labour shortages, leading employers to hire workers on a temporary basis.¹⁵⁵ According to the 2003 Quality of Life Survey, 43% of fixed-term employees in health care occupations had had at least five successive employment contracts with the same employer (www.eukn.org, referring to Letho *et al.* (2005); and Sutela, 2006). Unemployment in these occupations has a high rate of coverage by Earnings-related Allowances (Table 4.5), and unemployment spell durations are not particularly low: in 2007, recipients in the occupation Health and Nursing Work averaged 87 days of Earnings-related Allowance compared with an all-occupation average of 109 days.

Table 4.5. **Earnings-related Allowance, Basic Allowance and LMS recipients by occupation, 2007**

Numbers, percentages and euros (EUR)

| | Number of recipients and benefit-days per recipient | | | | | | Recipient-years ^a | | | | Level |
|---|---|--------------------|-----------------|--------------------|----------------|--------------------|------------------------------|--------------------|---|---|------------------------------------|
| | Earnings-related Allowance | | Basic Allowance | | LMS | | Earnings-related Allowance | Total all benefits | Occupation as a percentage of all occupations | Earnings-related Allowance as a percentage of all beneficiaries | Average Earnings-related Allowance |
| | Recipients | Days per recipient | Recipients | Days per recipient | Recipients | Days per recipient | Recipient-years | Recipient-years | % | % | EUR/day |
| | | | | | | | | | | | |
| All branches | 232 619 | 109 | 44 665 | 92 | 202 554 | 138 | 101 422 | 229 668 | 100.0 | 44.2 | 48.35 |
| 0. Professional, technical and related work | 29 595 | 108 | 4 817 | 88 | 17 337 | 149 | 12 785 | 24 813 | 10.8 | 51.5 | 53.99 |
| 1. Health and nursing work, social work | 32 866 | 90 | 4 412 | 86 | 13 016 | 126 | 11 832 | 19 910 | 8.7 | 59.4 | 39.70 |
| <i>Of which</i> | | | | | | | | | | | |
| 10. Health and nursing work | 13 035 | 87 | 1 354 | 77 | 4 639 | 119 | 4 536 | 7 161 | 3.1 | 63.3 | 40.73 |
| 15. Social work | 9 996 | 91 | 1 335 | 92 | 3 268 | 134 | 3 639 | 5 881 | 2.6 | 61.9 | 39.01 |
| 16. Child-care work | 5 885 | 93 | 888 | 90 | 2 825 | 132 | 2 189 | 4 001 | 1.7 | 54.7 | 37.24 |
| Other category 1 ^b | 3 950 | 95 | 835 | 84 | 2 284 | 124 | 1 500 | 2 908 | 1.3 | 51.6 | 41.85 |
| 2. Administrative, managerial and clerical work | 30 385 | 125 | 4 317 | 101 | 19 641 | 148 | 15 193 | 28 564 | 12.4 | 53.2 | 50.11 |
| 3. Sales work | 19 329 | 124 | 3 501 | 103 | 12 253 | 149 | 9 587 | 18 332 | 8.0 | 52.3 | 47.74 |
| 4. Agriculture, forestry and fishing work | 7 910 | 109 | 2 199 | 104 | 6 166 | 150 | 3 449 | 8 063 | 3.5 | 42.8 | 43.79 |
| 5. Transport and communications work | 8 036 | 119 | 1 534 | 106 | 5 052 | 158 | 3 825 | 7 668 | 3.3 | 49.9 | 50.67 |
| 6.7/18. Manufacturing, machinery operation, mining, quarrying and construction | 67 119 | 110 | 9 843 | 98 | 51 605 | 152 | 29 532 | 64 767 | 28.2 | 45.6 | 52.79 |
| 9. Service work | 27 046 | 112 | 5 726 | 103 | 22 533 | 147 | 12 117 | 27 725 | 12.1 | 43.7 | 39.16 |
| Activities not adequately described or data unavailable | 10 333 | 83 | 8 316 | 70 | 54 951 | 110 | 3 431 | 29 937 | 13.0 | 11.5 | 47.40 |

LMS: Labour Market Support.

a) Recipient-years calculated as (Recipients x benefit-days per recipient / 250).

b) Other Category 1 consists of 11. *Physiotherapy and occupational therapy*; 12. *Dental work*; 13. *Pharmaceutical work*; 14. *Veterinary work, environment and health protection work*; 17. *Psychological work*; 18. *Recreational guidance*; and 19. *Other work under Category 1*.

Source: KELA and ISA (2008), *Statistical Yearbook on Unemployment Protection in Finland 2007*, Table 8; and Secretariat estimates.

265. Policy-makers have several times called for a reduction in the use of temporary contracts by the public sector. In the 1990s, the Finnish Employment Programme monitoring committee stated that permanent posts within government organisations should be opened to members of permanent staff,

155. Concerning labour shortage see:

www.hs.fi/english/article/Helsinki+University+Central+Hospital+hit+by+nurse+shortage/1135244620116.

instead of being converted into subsidised jobs (Räisänen and Skog, 1998). MEE (2008) reports that in 2007 approximately 24.6% of state employees, 22.1% of municipal and municipal federation employees, and 13% of the private sector employees had a fixed-term contract, and about half of all registered unemployed were looking for jobs because their fixed-term employment contract had come to an end. A Working Group proposed more effective supervision to eliminate unjustified fixed-term contracts, which led to legislative amendments applying from 2008. It also called for studies of the reasons for the use of fixed-term contracts and studies of good practices to increase the number of permanent contracts and to decrease the use of fixed-term contracts.

266. In this context, the role of benefit entitlements in encouraging the use of fixed-term contracts needs to be considered. Permanent employees cannot easily start a benefit claim voluntarily, because they are liable to a benefit sanction if they leave their job voluntarily.¹⁵⁶ Fixed-term contract workers by contrast can probably choose to benefit claim at the end of each contract period with little risk of a benefit sanction. Workers who could have chosen a permanent contract, but in fact chose a fixed-term contract and then claim unemployment benefit, arguably are voluntarily unemployed and should not be covered according to insurance principles. No country has found a clear-cut operational method for distinguishing *voluntary* from *involuntary* unemployment following a fixed-term contract. However, a number of countries have provisions – or had in the past, since they tend to be controversial – that restrict benefit entitlements in cases of repeat claims (or sometimes following seasonal work). For example, Canada in 1996 introduced an “intensity rule” that reduced the benefit rate for repeat claims (although this was abolished in 2001) and in Japan, although benefit entitlement arose after six months of contributions, contracts expected to last for less than a year were in principle excluded from coverage (this provision was abolished in 2009). Finland might adopt such an approach or, for example, experience-rate employers on the basis of job separations that occur at the end of a fixed-term contract and are followed by a benefit claim.

267. In countries where municipalities bear the full cost of social assistance benefits, they quite often give beneficiaries temporary contracts which qualify them for UI benefits. In Finland, where municipal costs for unemployed clients were relatively low before 2006, there was only limited evidence of this: “Employment by means of social assistance had already been the practice for some years in some Finnish local authorities but it was voluntary in nature and left to the local authority’s discretion... The jobs are mainly in local authority services. The main motive was to prevent exclusion from the job market. Such employment can also serve to qualify social assistance clients for primary benefits and reduce social assistance expenditure in the long run.” (Heikkilä and Keskitalo, 2002).

268. As unemployment rises in the current recession – or in any other context – it remains important to monitor the importance of such “carrousel” mechanisms, where it is not clear that UI truly covers only unpredictable or unavoidable risks. The LMS reform of 2006 increased the incentive for municipalities to offer assistance beneficiaries a temporary (unsubsidised) job, and the 2003 and 2009 reductions of the qualifying period carrousel effects somewhat more likely to arise.

156. An unemployed person who resigns from a job without an acceptable reason is entitled to benefit after a 90-day (18-week) waiting period.

Particular situations of entitlement to Earning-related Allowance¹⁵⁷*Temporary layoffs*

269. Entry to unemployment from a regular job occurs following dismissal at the end of a notice period, or may take the form of temporary layoff. About 9% of Earnings-related Allowance recipients at year-end 2004, and about 5% of cases in the stock on average in 2007, were temporarily laid off (Table 4.6). The average duration of layoffs is relatively low and layoffs would account for a larger proportion of all unemployment spells. The numbers will have risen rapidly in the current recession. Generally temporary layoffs affect groups of more than ten people, in which case an employer representative or shop steward informs the Employment Office and Unemployment Fund of the layoffs and workers do not need to inform the agencies themselves.¹⁵⁸

Table 4.6. **Characteristics of recipients of Earnings-related Allowance, 2004 and 2007**

| | Average stocks ^a | | | | | | | | | | |
|-------------|-----------------------------|---|----------------------------------|---|-----------|--------|--|---|--------------------|---------------------|--------------------------------------|
| | Total ^b | Based on contributions when self-employed | Furloughed (on temporary layoff) | Paid a part-time (adjusted) allowance due to part-time earnings | | | Paid at an increased rate ^c | With employment programme supplement ^d | | | Extended allowance (beyond 500 days) |
| | | | | Total | Of which: | | | Total | Of which: | | |
| | | | | | Men | Women | | | As passive benefit | As training subsidy | |
| 2004 | 126 126 | 638 | 10 987 | 18 794 | 4 602 | 14 192 | 7 368 | 341 | – | – | 11 129 |
| 2007 | 98 277 | 608 | 5 177 | 15 272 | 3 562 | 11 710 | 4 347 | 2 224 | 662 | 1 562 | 13 775 |

– Not applicable.

a) Note that columns are not necessarily mutually exclusive (e.g. a formerly self-employed person may receive an extended allowance, and a person on temporary layoff may receive an adjusted allowance). Average stocks estimated as total days of benefit paid, divided by 258 (= 21.5 x 12).

b) Total passive recipients, i.e. not including recipients of Labour Market Training Subsidy.

c) Increased rate introduced in 2003, replacing former severance pay; data relate to 2005 and 2007.

d) Employment programme supplement introduced in 2005, as part of the “change security” reform: data relate to 2005 and 2007. People receiving the employment programme supplement as a training subsidy do not appear in the first column of the table.

Source: KELA and ISA (2005), *Statistical Yearbook on Unemployment Protection in Finland 2004*, Tables 10 and 11; KELA and ISA (2006), Table 11; KELA and ISA (2008), Tables 9 and 12; and Secretariat estimates.

Part-time (adjusted) Unemployment Allowance

270. An adjusted allowance (which may be adjusted Earnings-related Allowance or Basic Allowance) is paid:

- To people whose daily or weekly working hours are reduced due to short-time working or temporary layoff (not in cases of part-time work on the employee’s initiative);¹⁵⁹ and
- To people who during unemployment accept full-time work lasting less than two weeks¹⁶⁰ or part-time work, or have income from a small business activity.

157. The information in this subsection and the previous one is taken particularly from the website of the Federation of Unemployment Funds in Finland (www.tyj.fi), with additional information from other sources.

158. yle.fi/uutiset/news/2009/01/ten_questions_-_and_answers_-_about_temporary_layoffs_497539.html.

159. In official statistics (as seen in Table 4.6), people who are “furloughed” are listed separately from those receiving “adjusted allowance”. The former category probably includes only full layoffs (with zero weekly working hours), leaving people compensated for short-time working in the “adjusted allowance” category. Eurostat (2008) reported relatively few recipients of an adjusted allowance on the basis of short-time working (referred to as “partial” unemployment).

271. In these cases, half of the earnings received during a month,¹⁶¹ divided by 21.5, are subtracted from the daily amount paid in the following month. In standard cases, the adjusted allowance is limited so that the adjusted allowance *plus* part-time earnings does not exceed 90% of the wages or salary on which the allowance is based.¹⁶²

272. In recent years, slightly more than half the recipients of a daily Unemployment Allowance were paid at an adjusted rate at some time during the year. On average, they were paid at an adjusted rate for only slightly more than a quarter of a full year. At year-end 2004, about one-seventh of all persons in the stock of recipients were receiving an adjusted rate (Table 4.6). More than three-quarters of people receiving an adjusted rate were women, and over 20% of women on Earnings-related Allowance were receiving it at an adjusted rate.

273. In cases of complete unemployment, the initial benefit entitlement of 500 days is exhausted after 100 weeks (23 months) because benefit payments are made for 5 days per week. However when the person works part of the week while also receiving an adjusted allowance, only the equivalent completely-unemployed days (*e.g.* 2 or 3 days per week) are deducted from the remaining entitlement and a benefit spell can continue for more than 100 weeks. Weeks in which 18 hours or more are worked count towards the employment condition for a new spell of benefit, so it is possible to work 18 hours per week while receiving an adjusted allowance indefinitely, opening a new benefit period before the previous one is exhausted.¹⁶³ However, recipients of an adjusted allowance must remain available for placement into a full-time job.

Unemployment Pension and Pension Assistance for the long-term unemployed

274. Finland introduced, in 1972, an *Unemployment Pension* payable to workers aged over 60 who had been unemployed for at least 40 weeks (9 months), but the use of the scheme at first remained limited. The lower age limit was reduced to 58 in 1978 and to 55 in 1980: by 1980 the caseload had increased sevenfold whereas ordinary unemployment fell, indicating a policy drive to expand usage. Over 1986 to 1990 the age limit was progressively raised back to 60, but workers aged 55 or more became instead entitled to extended ordinary unemployment benefit (see below). From about this time, transfers to Unemployment Pension instead of being made after 40 weeks were made at entry to “long-term unemployment”, unemployment “for a long period”, or – according to some recent documents – only after 500 days of ordinary unemployment benefit.¹⁶⁴

160. Before 2008, adjusted benefit could also be paid in cases of full-time employment for two weeks or more within the month.

161. For people with a payroll period of four weeks, this rather than the calendar month is taken as the basis for the adjustment calculation.

162. *E.g.* the sum of earnings and the adjusted allowance reaches 90% of earnings in the case of a person who earns 2.75 times the Basic Allowance before unemployment, and half this amount during unemployment.

163. Until recently, adjusted Unemployment Allowance was also subject to a limit of 36 months during a given unemployment spell.

164. Hytti (2002) lists “long-term unemployment” as the criterion from 1971 to 1990; www.eurofound.europa.eu/eiro/1999/08/feature/fi9908114f.htm referred in 1999 to unemployment “for a long period” and www.tyj.fi still used this language in 2009, while other recent sources refer to 500 days (www.ssa.gov/policy/docs/progdsc/ssptw/2004-2005/europe/finland.pdf indicates that in 2004 the transfer to Unemployment Pension occurred only after exhaustion of entitlement to basic unemployment benefit).

275. Employers often systematically laid off older workers at the qualifying age, but this practice declined after 1989 when large employers were required to contribute towards the costs they generate. As shown in Table 4.2, the number of Unemployment Pension recipients was fairly stable, around 50 000, from 2000 to 2007. However as part of a package of pension reforms implemented in 2003, it was announced that Unemployment Pension will not be paid to workers born in 1950 or later, and will thus be phased out: the first group of workers excluded will be those who reach the age of 60 in 2010.¹⁶⁵

276. Another benefit called *Pension Assistance* for the long-term unemployed was introduced in May 2005. This is payable to a relatively limited target group, people born between 1941 and 1947 who, at the end of 2004, were entitled to the LMS, had been unemployed for the whole of the preceding 12 months, and had by the end of 2004 received an Unemployment Allowance or LMS for at least 2 500 days (nearly 10 years) in total. Given that individual entitlement is influenced only by behaviour before the benefit was created, the benefit creates no incentive for individuals to modify their behaviour so as to qualify for it. After an initial jump to 2 804 at year-end 2005, its caseload steadily declined. This benefit was probably created to support the 2005/2006 reform activating long-term recipients of LMS (see Sub-section 4.5 below): in the context of that reform it eased the financing burden for municipalities with many long-term LMS recipients, and helped to target the resources available for activation on recipients with greater employability.

Unemployment Allowance extension for older workers

277. The increase in the lower age limit for Unemployment Pension from 1986 to 1990 was accompanied by an increase in the duration of regular benefit, for workers aged over 55, from 450 days in 1985, to 900 days in 1987, and uninterruptedly until the age of 60 from 1991 (OECD, 1996a, pp. 127-128). More precisely, the rule until 1997 was that the Unemployment Allowance was paid up to age 60 to people who had reached the age of 55 before 500 days of benefit had been paid.¹⁶⁶ Data from 1995 and 1996 show that rates of layoff for workers aged 53 and 54 were about 50% higher than for workers aged 50-52 (Kyyrä and Ollikainen, 2008).¹⁶⁷ In 1997, the age limit was raised to 57 (benefiting workers who became unemployed at age 55 and 1 month).

278. From 1990, older unemployed persons (55 or older) could remain on earnings-related benefits until pensionable age (65 at the time, although 60 transfer to Unemployment Pension was common). Koskela and Uusitalo (2004) comment that “the generosity of benefits suddenly started to matter during the recession”. The unemployment rate for 55-59-year-old workers, which up to the early 1990s were close to the rates for younger groups, rose much higher, peaking at 23% on a LFS basis and 30% on a registration (benefit recipient) basis in 1996 and 1997 (see statistics in

165. Other countries that have phased out early retirement on labour market grounds include Australia (which closed Mature Age Allowance to new entrants after September 2003), Ireland (which closed the Pre-Retirement Allowance to new entrants as from July 2007) and Belgium, France and the Netherlands which have abolished, or have announced the abolition of, exemption from job-search requirements for older long-term unemployed workers.

166. Thus, the unemployment spell may have started at 53 years and 1 month in cases of full unemployment, or somewhat earlier if an adjusted allowance was paid.

167. Huovinen and Piekkola (2001) report that in the mid-1990s small firms tended to lay older workers of into disability pension, whereas large firms (which are fully liable for disability pension costs) preferred layoff into extended-duration unemployment benefit followed by Unemployment Pension (employers are not liable for unemployment benefit costs and only partly liable for Unemployment Pension costs).

MEE (2009a). Despite some reforms, many benefit recipients in these age groups were inactive later in the 1990s and probably more recently.¹⁶⁸

279. In 2005, the number of Earnings-related Allowance recipients in the age range 55-59 was 2.5 times the number in the age range 50-54, or 1.9 times if only people with an unemployment duration of less than 106 weeks are counted (Table 4.7).¹⁶⁹ The rate of survival on Earnings-related Unemployment Allowance from the first year of unemployment to the second year (*i.e.* the proportion of all people unemployed for less than a year who are still unemployed a year later) was approximately 13% for the age group 50-54 and 42% for the age group 55-59.¹⁷⁰ This low rate of exit from unemployment – more than any increase in the rate of entry to unemployment after age 55 – seemed at this time to be the main cause of the large total stock of benefit recipients in the 55-59 age group. As shown in Table 4.6, the proportion of Earnings-related Allowance recipients on extended allowance (beyond 500 days) increased quite sharply after 2004, reaching 14% of the total in 2007.

Table 4.7. **Distribution of Earnings-related Allowance recipients by age and duration of benefit receipt, 2005**

Levels and percentages

| Age | Number of recipients | Percentage distribution by number of weeks on benefit | | | | | | | | Survival rate from first to second year of unemployment ^a |
|-------|----------------------|---|--------|---------|----------|----------|-----------|-------------|---------|--|
| | | Total | 0 to 4 | 5 to 12 | 13 to 26 | 27 to 52 | 53 to 105 | 106 or more | 0 to 52 | |
| 50-54 | 14 092 | 100.0 | 22.9 | 23.9 | 21.9 | 16.1 | 13.8 | 1.3 | 84.8 | 13.1 |
| 55-59 | 36 630 | 100.0 | 8.6 | 10.7 | 13.1 | 14.7 | 24.6 | 28.3 | 47.1 | 41.7 |
| 60-64 | 10 091 | 100.0 | 8.9 | 11.1 | 14.8 | 19.5 | 40.3 | 5.4 | 54.3 | 50.0 |

a) Calculated as the ratio between the number with a 53-105-week duration in 2005, and the estimated number (in the age group 1 year younger) with a 0-52-week duration in 2004. Estimates are approximate (data by exact year of age are not available).

Source: KELA and ISA (2006), *Statistical Yearbook on Unemployment Protection in Finland 2005*, Table 5; and Secretariat estimates.

280. As from 1 January 2003, for people born in 1950 or after, the continuous payment of Unemployment Allowance will apply only for people who reach the age of 59 before 500 days of benefit

168. Kyyrä and Ollikainen (2008) model transition rates in the 1990s and report that “Our estimates of the labour market withdrawal probability from the split population model suggest that some half of the workers with extended UI benefits are inactive, having zero hazard rates to employment and ALMPs”, and “A common practice seems to be that mandatory ALMPs are rarely offered to the older applicants with extended benefits. For example, in 1997 when 22.7% of all unemployed jobseekers (including programme participants) were on average enrolled in ALMPs, only 2.8% of the 55-59-year olds and 1.1% of the 60-64-year olds were participating in ALMPs”. In 2008, the number of registered unemployed aged 55-59 was still twice the number unemployed according to the labour force survey [based on statistics in MEE (2009a)].

169. The 2005 data can be interpreted (approximately) in terms of transition rates because unemployment levels were similar in 2004.

170. The stock by duration data for the age group 55-59 include people whose unemployment spell started before age 55 (not entitled to extended benefit), and thus probably understate survival rates for those who are entitled to extended benefits. Kyyrä and Ollikainen (2008) show about 60% of workers who in 1995 or 1996 entered unemployment aged 53 and 54 (with entitlement to unemployment benefit through to age 60) were still unemployed two years later; in similar groups (slightly younger, or who entered unemployment after the 1997 reform) with entitlement limited to 500 days, 10% were unemployed two years later.

have been paid (*i.e.* typically for unemployment spells which started at age 57 years and 1 month or more). Given the age limits involved, this restriction first applied to people aged 57 in 2007. In practice, the number of unemployed UI fund members aged 55-57 dropped from 17 200 at the end of 2005 to 8 000 at the end of 2007, with a particularly rapid fall in the number aged exactly 56 (MEE, 2008) – illustrating the strong impact of *future* benefit entitlements on behaviour even years before the change in income occurs.

Redundancy pay and its replacement by an increased rate of Earnings-related Allowance

281. Finland, in contrast to most other OECD countries, since 1970¹⁷¹ had a system of publicly-financed redundancy pay. Workers aged 45 and over who had worked at least five years with the same employer, had been dismissed for economic or production-related reasons, and had been registered unemployed for at least one month, were entitled to a tax-free payment, which from 1999 to 2002 averaged nearly EUR 2 000.¹⁷² Although the direct cost of this scheme was small (from 1999 to 2002, about EUR 13 million per year, less than 1% of the EUR 2 billion per year cost of Earnings-related Allowances), the rules of the scheme had perverse incentive effects: employed workers with a redundancy pay entitlement lost it if they changed employer, and workers scheduled for redundancy lost their entitlement if they found a new job during their notice period or early in their unemployment spell.

282. As from 1 January 2003, this system of redundancy pay was abolished, but replaced by an increased rate of Earnings-related Allowance. The increased rate is payable to claimants who have been a member of an Unemployment Fund for 5 years, who have been in employment with a pension entitlement for at least 20 years, and who have been dismissed for economic or production-related reasons. The requirement for employment to have been continuous and with the same employer appears to have been dropped. Coverage of the unemployed who do not have a stable work history might be a major change: for example, the new rule might allow repeated payments to people who are unemployed between fixed-term contracts.

283. The increased Earnings-related Allowance is 55% (rather than 45%) of the difference between the reference daily wage and the Basic Allowance up to the monthly earnings ceiling (90 times the Basic Allowance), *plus* 32.5% (rather than 20%) of earnings above this ceiling. It is payable for the first 150 days (30 weeks) of unemployment. In 2007, about 5% of Earnings-related Allowance days paid were paid at the increased rate (Table 4.6). In total during 2007, 16 000 people received Earnings-related Allowance at the increased rate for an average of 80 days. These statistics imply that the scheme had about 11 000 new entrants per year with an average completed spell duration of nearly 120 days – not much below the maximum.¹⁷³

284. Uusitalo and Verho (2007) compare the re-employment hazard profiles between people who became eligible for the increased benefits in 2003 with people in a comparison group whose benefit structure remained unchanged. This comparison suggests that entitlement to the higher benefit rate

171. Information from Eurostat (2009a); although according to MISEP (2002), the scheme was introduced in 1978.

172. The scheme made an average of about 7 000 payments per year from 1999 to 2002 (see Eurostat LMP publications). The average of nearly EUR 2 000 includes an education supplement which could be paid during participation in training.

173. The published statistics report average days of benefit received in a given calendar year for people with non-zero days during the calendar year. Assuming there are 11 000 entries per year, evenly distributed throughout the year, and that each entry is followed by a 120-day spell, nearly half of all entrants will be reported as participants in two calendar years (*i.e.* 2006 and 2007 or 2007 and 2008: a calendar year includes 260 benefit days), so that there are about 16 000 participants in a given year.

increased the median duration of unemployment spells by about 20 days (which is about one-sixth, since the median duration for the comparison group was about 120 days). This suggests an elasticity of unemployment spell durations with respect to the benefit level of more than one.¹⁷⁴

The employment programme supplement within the Change Security programme

285. The employment programme supplement, which is paid to participants in the Change Security programme, is described in Chapter 3. The average stock of recipients in 2007 was about 2 200, *i.e.* only slightly more than 2% of all recipients of Earnings-related Allowance (Table 4.6). About one-third of them were receiving the benefit on a passive basis, reflecting the operation of the 20-day limit on passive receipt of the supplement: the others received it as participants in a Labour Market Training programme. As noted in Chapter 3, in terms of flows, many who enter the Change Security programme drop out either before starting on the employment programme supplement or when the 20-day limit on passive receipt of it is reached.

286. In principle, workers entitled to the increased rate (see above) would often also be entitled to the employment programme supplement, since the latter requires fewer years of service. The employment programme supplement and the increased-rate benefit can be received sequentially, and participation in the Change Security programme is voluntary, so various patterns of receipt may be emerging.¹⁷⁵

The duration of Earnings-related Allowance and the timing of referrals to ALMPs

287. Few OECD countries now pay earnings-related benefits for as long as 24 months without intensive activation, and those that do tend to face high benefit costs and unemployment rates. In the standard case, represented by a 40-year-old worker with a full record of contributions:

- Two OECD countries, the Netherlands and Switzerland, reduced the duration of earnings-related benefits to below 24 months in the 2000s;
- Norway, Denmark, and Sweden pay earnings-related benefits for more than 24 months, but Norway activates recipients relatively intensively at all points in the spell, and Denmark and Sweden systematically require participation in measures by the long-term unemployed; and
- France, Portugal and Spain, the other OECD countries that pay long-duration earnings-related benefits¹⁷⁶ without intensive activation, have relatively high unemployment rates (higher LFS unemployment than Finland, in 2007).

174. The average increase in benefit amount was about 15% (8 percentage points) in terms of the *gross* replacement rate. However, this would correspond to less than 15% in terms of *net* income. One complication here is that the one-sixth change in the median duration of unemployment spells could reflect a larger increase in the hazard to re-employment combined with a little-changed hazard to other destinations (such as entry to an ALMP).

175. Piekkola and Siljander (2004) state “If the same person is entitled to both increased training allowance and redundancy pay allowance, the redundancy pay allowance days do not run concurrently”: the “increased training allowance” and “redundancy pay allowance” correspond to what are called here (following the KELA’s *Statistical Yearbook on Unemployment Protection*) the “employment programme supplement” and the “increased rate”. However, since the employment programme supplement is paid based on a request “primarily within 30 days, at the latest, after the termination of employment”, benefit days on the increased rate could only to a limited extent precede benefit-days on the employment programme supplement.

176. Not including Austria which pays an earnings-related assistance (means-tested) benefit (Germany had such a benefit until 2005).

Against this background, a systematic strategy of referrals to ALMPs in the second year of unemployment might be needed to increase rates of exit from unemployment in the first and second years of unemployment.

Basic Allowance

288. As noted above, unemployed people who meet the conditions for earnings-related benefits except for membership of an Unemployment Fund are entitled to Basic Allowance at a fixed rate. In 1995, 18% of contribution-based Unemployment Allowances were Basic Allowances. As shown in Table 4.4, the proportion then fell to 10% by 2000, but rose back to 13% by 2007, reflecting changes in rates of Unemployment Fund membership. Basic Allowance recipients can, if they meet the employment requirements, also be paid an increased rate or employment programme supplement, but this is relatively infrequent. Since only a relatively small proportion of payments are at the fixed rate, Basic Allowance is not analysed in detail here.

The financing of unemployment benefits

289. There are three channels of financing for unemployment benefits in Finland: direct grants from central government, a national Unemployment Insurance Fund financed by employee and employer contributions on wages and salaries, and membership fees paid by employees to Unemployment Funds.

290. The national Unemployment Insurance Fund, which was created in 1998 to fund benefits, in 2009 collects employee contributions levied at a rate of 0.2% of wages and employer contributions levied at a rate of 0.65% on the first 1 788 000 EUR of total payroll and 2.7% on the amount exceeding this. The employee rate has been higher in the past (see www.tvr.fi; and Niemelä and Salminen, 2006). Against this background:

- Earnings-related Allowance is financed by the State as regards the basic amount component. The earning-related component is then financed 5.5% from Unemployment Fund membership fees and 94.5% from the national Unemployment Insurance Fund and a State grant;
- The Basic Allowance is financed by the State, except that the national Unemployment Insurance Fund finances a part which corresponds to the contributions it receives from people who are not members of an Unemployment Fund; and
- LMS is financed by the State, except for the contribution made by municipalities since 2006.

4.5. Labour Market Support (LMS) and social assistance

Main features of LMS

291. Labour Market Support¹⁷⁷ is as a general rule available to unemployed people who are not entitled to an Unemployment Allowance, subject to a means test which takes into account the claimant's other income and the income of his or her partner or spouse. However, the means test is not applied in the following situations:

- During participation in an active labour market programme or Rehabilitative Work;
- For the first 180 days after exhaustion of an Unemployment Allowance; and
- Indefinitely after exhaustion of Unemployment Allowance if the claimant is 55 years of age or older.

177. Translated as "labour market subsidy" in KELA and ISA (2008) and as "labour market assistance" by Van Gerven (2008).

In the absence of any reduction due to the application of the means test, the level of LMS benefit and child supplement are the same as for Basic Allowance.

292. As shown in Table 4.4, about 40% of unemployment benefit recipients in Finland were on LMS before 1997. About 40% were also on Basic Allowance before 1994 when it was means-tested and thus was broadly comparable to the current LMS benefit. The share on LMS increased to over 50% after 1997, when the employment requirement to qualify for an Allowance was increased to 43 weeks, and fell back below 50% after 2003 when the employment requirement was reduced.¹⁷⁸ Within the total of LMS recipients, the proportion who had exhausted eligibility for an Unemployment Allowance rose from 24% in 1996 to 40% in 2001 (KELA, 2008a, Table 111).

293. A significant feature of LMS is that, although it is means-tested, it is payable separately to both members of a couple if both of them register as unemployed. Although each spouse's benefit is means-tested on the couple's joint income, high disregards (see Table 4.8 below) ensure that this does not reduce the amounts payable (if the couple has no income from other sources). This contrasts with the structure of social assistance benefits, where a single payment dependent on household composition is made, and with the structure of the unemployment assistance benefits paid by several English-speaking countries (Ireland, New Zealand, the United Kingdom, and before 1996, Australia).¹⁷⁹ This seems to have been a feature of LMS and the old form of Basic Allowance ever since its introduction in 1971.¹⁸⁰

294. The rate of reduction of LMS when the household's income is above a disregard level was reduced from 75% to 50% in 1997. In situations where the spouse is working, a spouse's earned income disregard applies, and this was sharply increased to FIM 1 400 (EUR 236) per month in 2000, and further to EUR 536 per month in 2003 (Van Gerven, 2008, Appendix tables). Calculations suggest that since 2003 even a person with a spouse on Average Production Worker earnings could qualify for LMS, although the rate of payment would be sharply reduced by means-testing.¹⁸¹ Thus, the changes after 1997 appear to have increasingly qualified spouses with a working partner to a certain amount of assistance benefit if they register as unemployed.

295. Unemployment benefit claimants, even parents of young children, must declare themselves to be seeking full-time work. The financial incentive for spouses to register independently, which in turn requires them to be available for full-time rather than part-time work,¹⁸² probably contributes to

178. The shares reported here are biased upwards by the fact that LMS recipient data include participants in activation measures whereas people on Unemployment Allowance are, upon entry to training, transferred to Labour Market Training Subsidy (see Table 4.4).

179. Since July 1995, both members of a couple in Australia can independently claim unemployment assistance, although the basic rate for each member of a couple is slightly below the basic rate for a person living alone. Since 2005, both members of a couple in Germany can independently claim the new UB II benefit. See also the discussion of availability conditions for spouses in Grubb *et al.* (2009).

180. The means test for LMS takes into account the "combined monthly gross income of the recipient and partner", but it is not clear whether this includes the partner's LMS benefit, when both make a claim.

181. See illustrative calculations in www.oecd.org/els/social/workincentives, country-specific files, country-chapters information. In 2007, the LMS amount was reduced by the means-test rules for 11% of all women (not including cases of adjusted benefit due to the recipient's earnings), and probably for a higher proportion of married women.

182. "A particular Finnish characteristic is that part-time workers are not generally included in the programmes discussed here, rather benefits are primarily directed to full-time workers." (Van Gerven, 2008, p. 199).

the high incidence of full-time work in Finland.¹⁸³ Van Gerven (2001) notes that “the statistics also reflect that women rather register themselves as unemployed rather than remain at home as housewives. This tells us about the strong norm of wage work... (the) Finnish welfare state supports women strongly to enter the labour market with universalistic and individualistic benefits and services”. If the women added to total labour supply are on average one-quarter unemployed and three-quarters (full-time) employed, the taxes and social security contributions paid on the salaries of the additional employed women will probably more than cover the cost of the benefits paid to the additional unemployed women.¹⁸⁴ Although the high rate of unemployment benefit reciprocity in Finland is a cause for concern, potential positive effects such as this should also be kept in mind.

Social assistance and its interaction with LMS

296. In 2005, Finland had two basic rates of social assistance for different categories of municipality. Table 4.8 compares the higher basic rates of social assistance for a person or household with no other income with the rates of LMS in the same situations. The monthly payment varies with household composition in quite different ways for the two benefits. The basic rate of social assistance is much higher than the LMS rate in the case of a single person with two children, but it is lower in the other three cases considered.

Table 4.8. **Levels of LMS and Social Assistance benefits by household type, 2005**
Euros (EUR)

| | LMS | | Social Assistance (basic amount before housing costs) ^a | Difference (LMS <i>minus</i> basic amount of social assistance) |
|---|--------------------|---------------------------|---|--|
| | Daily rate | Monthly rate ^b | Monthly rate ^c | |
| Single, no children | 23.91 | 514.07 | 389.37 | 124.70 |
| Single, 2 children aged 10-17 | 30.56 ^d | 657.04 | 915.02 ^e | -257.98 |
| Couple (both unemployed), no children | 47.82 ^f | 1028.13 | 661.93 | 366.20 |
| Couple (both unemployed), 2 children aged 10-17 | 61.12 ^f | 1314.08 | 1187.58 ^e | 126.50 |

LMS: Labour Market Support.

- a) In addition to these basic amounts for “everyday living costs”, additional social assistance is granted to cover reasonable housing costs or other costs (such as health care, work-related expenses).
- b) 21.5 times the daily rate.
- c) These are the rates for municipality Category 1 (the higher of two rates).
- d) For Basic Allowance and LMS, child addition in 2007 was EUR 4.53 for one child, EUR 6.65 for two children, and 8.58 for three children.
- e) The social assistance allowance rate is 70% of the single person rate for a first child and 65% for a second child, with slightly lower/higher rates for younger/older children (see source for details).
- f) If two parents are unemployed, both receive LMS and the child increase. The means-test does not reduce benefits due to a relatively high disregard (EUR 848 per month for a couple, plus EUR 106 per month for each dependent child).

Source: *Benefits and Wages: Statistics*, country-specific files, country-chapters information, Finland 2007 www.oecd.org/dataoecd/7/43/42489688.pdf.

183. In 2007, 15.5% of employed women in Finland worked part time, compared with EU15 average of 31.7% and an OECD average of 25.3%. The incidence of part-time work was already low in 1973 (OECD, 1996b; and 2008g).
184. However, the overall impact of a benefit entitlement on employment is only positive if its impact in terms of increasing the labour force offsets its impact in terms of increasing the unemployment rate among the existing labour force. At the end of 2007, 58% of Earnings-related Allowance recipients and 48% of LMS recipients were women: probably few other countries have such high female shares.

297. Table 4.8 shows only part of the picture, because additional social assistance can be paid to cover housing costs, health-care costs or work-related expenses. In bigger cities, social assistance often covers higher housing costs than the national housing allowance does. With an entitlement to an additional EUR 130 per month, the social assistance level would exceed the LMS level also in the cases of a single person and a couple with two children. This entitlement structure helps to explain why many unemployed people on LMS claim social assistance as a supplement, while others do not. It also suggests that some continuously unemployed people will claim social assistance on a regular basis, for example in relation to housing costs, while others claim intermittently, for example to cover exceptional health costs.

298. Against this background, in November 2007 up to 88% of social assistance recipients had income from another income-replacement benefit, which in nearly half the cases was LMS (Table 4.9). Only 6.6% of social assistance recipients had no other source of income. According to unpublished estimates based on merging LMS recipient files with social assistance recipient data, in November 2006 about 35% of LMS recipients lived in a household receiving social assistance.¹⁸⁵ The proportion for which the household received a social assistance payment at some point in the year would be higher.

299. Since 1998, municipalities are expected to apply a 20% reduction to social assistance in cases where the recipient suffers a first LMS sanction, and a 40% reduction in cases of LMS sanction for repeated infractions. Government of Finland (2009) describes these provisions in detail.

The financing of LMS, active measures for LMS recipients and social assistance

300. As already mentioned, starting in 2006, municipalities became responsible for financing half the cost of LMS payments after 500 days, or after 180 days following exhaustion of an Allowance. Municipalities are exempted from contributing not only during the first 500 days of LMS, but also when recipients are participating in Rehabilitative Work activities, which are regarded as active measures funded by the state. Municipalities also receive EUR 10.09 a day (2007 rates) for arranging Rehabilitative Work. This reform of funding arrangements has led to a large increase in the supply of places (see Chapter 5, Table 5.3; and MEE, 2008, Table 30).¹⁸⁶

301. LMS is still paid by KELA and thus by central government. The central government bills municipalities according to its payment records. Municipalities paid EUR 192 million in 2006 and EUR 157 million in 2007 in relation to total expenditure on LMS benefits of EUR 794 million and EUR 706 million respectively.¹⁸⁷ Rather more than half of all days of LMS that were paid on a passive basis, but rather less than half of all days of LMS paid including days of participation in active programmes, were subject to this cost-sharing arrangement, so central government still paid more than 75% of the total costs.

185. Information supplied by Ilari Keso. Table 4.9 suggests a somewhat higher proportion. Figures may be influenced by detailed concepts, e.g. whether young adults living with their parents are part of the same household.

186. Of the programmes listed in Table 5.3, “Rehabilitative work activity” appears to be organised by municipalities whereas “Preparatory training for working life” is organised by the national employment service via T&E Centres (e.g. see www.ekta.fi/ektaeng.html).

187. Total expenditure except for payments of LMS to employers in combination with a wage subsidy.

Table 4.9. **Income sources of households in receipt of social assistance, November 2002 and 2007**

Levels and percentages

| | 2002 | | 2007 | |
|--|------------------------|-------------|------------------------|-------------|
| | Households and persons | Percentage | Households and persons | Percentage |
| Households and persons in the November social assistance survey^a with income from: | | | | |
| Eamed income | 10 202 | 10.1 | 9 515 | 9.9 |
| Entrepreneurial income | 512 | 0.5 | 288 | 0.3 |
| Labour Market Support (LMS) | 47 419 | 46.7 | 39 274 | 40.8 |
| Earnings-related allowance | 3 403 | 3.4 | 2 961 | 3.1 |
| Training allowance | 837 | 0.8 | 637 | 0.7 |
| Housing allowance | 56 218 | 55.4 | 64 489 | 67.0 |
| Sickness allowance | 4 276 | 4.2 | 5 091 | 5.3 |
| Maternity allowance | 3 230 | 3.2 | 2 497 | 2.6 |
| Child allowance | 17 379 | 17.1 | 17 125 | 17.8 |
| Child home care allowance | 4 649 | 4.6 | 3 798 | 3.9 |
| Support for informal care | 261 | 0.3 | 274 | 0.3 |
| Pension | 12 603 | 12.4 | 15 004 | 15.6 |
| Study grant | 6 323 | 6.2 | 7 027 | 7.3 |
| Conscripts' benefit | 94 | 0.1 | 57 | 0.1 |
| Maintenance allowance/support | | | 8 231 | 8.6 |
| Others | 9 247 | 9.1 | 8 983 | 9.3 |
| No income | 12 350 | 12.2 | 6 384 | 6.6 |
| Households and persons included in the survey, Total | 101 500 | | 96 250 | |
| <i>Of which:</i> With Labour market support | 47 419 | 46.7 | 39 274 | 40.8 |
| With any income-replacement benefit (including double-counts) | 82 834 | 81.6 | 84 577 | 88.0 |
| Other data | | | | |
| Households and persons in receipt of social assistance (November), total | 121 674 | | 103 015 | |
| Coverage rate of the November survey ^b | | 83.4 | | 93.4 |
| Persons in receipt of LMS (year-end) ^c | 165 780 | | 99 950 | |
| Households and persons in receipt of LMS ^d | 145 058 | | 87 456 | |
| Rate of social assistance receipt among LMS recipients^e | | 39.2 | | 48.1 |

a) Cross-sectional data on sources of income in November include only municipalities that use software applications in the data collection.

b) Households and persons in the November survey, as a percentage of households and persons in receipt of social assistance, total.

c) Total as reported in Table 4.5, including LMS with wage subsidy.

d) Secretariat estimate assumes that a quarter of people receiving LMS are in a couple where both partners receive LMS (i.e. one-seventh of all households and persons receiving LMS include two LMS recipients).

e) Social assistance recipients with LMS (Secretariat estimate) grossed up by the survey coverage rate, divided by households and persons in receipt of LMS.

Source: STAKES (2008), "Toimeentulotuki 2007" (*Social Assistance 2007*), Statistical Summary Vol. 37/2008; STAKES (2003), "Toimeentulotuki 2002" (*Social Assistance 2002*), Statistical Summary Vol. 28/2003; and Table 4.5.

302. At the time of the LMS reform in 2006, the central government introduced a grant to municipalities which covers, from the first day of any claim, 50% of their expenditure on basic expenses for social assistance. This concept includes both the basic amounts, as shown in Table 4.8, and "other basic expenses" which include housing costs, home insurance, home electricity and large health-care costs. Social assistance expenses above this continue to be covered by formula-based government grants, which are not directly related to actual expenditure. Under the revised financing arrangement, municipalities in some cases do not have an obvious financial incentive to encourage

their clients to claim LMS beyond the limit of 500 days. However, according to the subsidiarity principle, social assistance recipients should claim any other benefits to which they are entitled.¹⁸⁸

303. The new cost-sharing arrangements in Finland contrast with the direction of reform in three other OECD countries (Canada and the United States in 1996, and the Netherlands in 2004) that replaced cost-sharing by the principle of full local responsibility for financing (except for block grants and formula grants from central government, not directly related to actual expenditure). These reforms were followed by falls in social assistance caseloads, as local management acquired greater control over policies and responded to the financial incentives. In Finland the incentives at local government level to reduce assistance benefit caseloads remain weaker than in these countries, or than in Norway or Sweden.¹⁸⁹

4.6. Activation measures

Job-search and programme participation requirements

304. As already described, attempts to introduce job-search monitoring procedures have had little effect at local Employment Office level (see also the discussion in Chapter 3 and Box 3.1). By contrast, Employment Offices have always treated referrals to Labour Market Training as obligatory for recipients of regular Earnings-related Allowance (probably excepting older workers):

“Discussions about activation and issues concerning employment responsibilities related to social benefits were stepped up in the mid-1990s. The obligation to work or participate in employment training under threat of sanctions was already integral to unemployment benefit principles (Heikkilä and Keskitalo, 2002)”.

Labour Market Training is a relatively expensive and high-quality measure, with participation mainly on a voluntary basis, but statistics (see Table 4.10 below) show some benefit sanctions in cases of refusal.

305. In the early 2000s adult recipients of LMS could not be obliged to participate in employment programmes, although the government was striving to change this:

“The original idea of the reform – the 2001 Act on Rehabilitative Work – was to increase the incentives for leaving the system i.e. laying down participation in rehabilitative work as a condition for receiving last resort social security – in a precisely defined way. This turned into a key public discussion point. The incentives for leaving the system and any element of enforcement were watered down to apply only to young persons without a job history, who enjoyed minimum compensation levels (Heikkilä and Keskitalo, 2002)”.

188. For clients who have been unemployed for more than two years, and who will still be entitled to a social assistance top-up, under the new financing arrangements making an LMS claim does not appear to directly increase the client’s income net of social assistance or reduce the municipality’s net costs (although LMS and social assistance incomes are probably not exactly equivalent in terms of means tests, lags in the reimbursement process, etc.). Any tendency for LMS claims to be dropped might show up as an increase the number of social assistance recipients who are not in receipt of another benefit, but November 2007 data (see STAKES, 2008) did not show such a trend.

189. However, given that social assistance recipients are assessed for entitlement to LMS, the new arrangements in Finland resemble those in Denmark, where the central government covers 50% of the cost of social assistance payments, but eligibility for benefit is conditional not only on low income but also on a “social event” (unemployment, sickness, divorce, etc.). This has made it easier to align and co-manage the activation measures for the unemployed on social assistance with those for the unemployed on insurance benefits.

“The working group – set up by the Ministry of Labour – suggests that the labour market support demand compensation so that the conditions of getting labour market support as to the sanctions are made more rigid as follows: If a person who has drawn labour market support as passive support for 500 days (or if an unemployed drawing daily Unemployment Allowance has changed over to getting labour market support for 180 days) refuses to participate in a suitable employment-promoting measure provided for him, the right to labour market support is revoked” (MoL, 2005b).

306. It seems that as from 2001 people on LMS might be obliged to participate in Rehabilitative Work on the basis that this was included in their individual activation plan (see above a citation from Heikkilä and Rintala, 2006), and this possibility was probably strengthened after 2006. However, a general age limit for the obligation to participate in Rehabilitative Work was still in effect.¹⁹⁰

307. As noted above, it seems that people on an Unemployment Allowance can only be referred to subsidised employment, in which the employer is paid the lower rate of pay subsidy, the participant receives a regular wage and the employment period counts in full towards the contribution requirement for a new period of benefit. People can be obliged to participate – under the general requirement to accept referrals to suitable work – but a policy of doing this systematically would tend to recreate the “carrousel” effect of the 1990s. To have a more activating effect, programmes for the long-term unemployed on an Unemployment Allowance would need to be more like the current Rehabilitative Work, where participants continue to receive unemployment benefit.

Benefit sanctions

308. In Denmark and Sweden, the UI funds investigate each notification from the Employment Office and decide whether to impose a sanction or not.¹⁹¹ In Finland, since 1985 a single communication from the PES office to a fund allows or disallows payments of benefits by the funds until a further communication occurs. Some communication problems arose and efforts at reducing these led to the installation of PES terminals in fund offices for electronic data transfer. Since 1990, there has been a State official in each region whose task is to supervise the functioning of this system (OECD, 1996a). Under this system, which is still in operation, notifications from the Employment Office to Unemployment Funds (or to KELA) automatically result in a benefit sanction.

309. However, sanction decisions are not taken by Employment Office staff alone. In each Employment Office a local Labour Committee, where other local actors are also represented, considers cases referred to it – although the evidence about the case will often have been gathered by the Employment Office.¹⁹²

310. Table 4.10 shows benefit sanctions by standard category in 1997 and 2007. The data relate to “labour policy opinions” issued by the Employment Office or its Labour Committee “that are binding on the party paying the unemployment benefit”. These may not all represent a period of continuing unemployment without benefit: when a person fails to respond to a referral this may be because he/she has already changed status (*e.g.* found a job) but not told the Employment Office. However since information on this issue is lacking the discussion here assumes that the “opinions” represent effective benefit sanctions.

190. According to a budget proposal, the age limit for the obligation to participate in Rehabilitative Work Experience would be abolished in 2010.

191. In Sweden, 85% of the notifications from Employment Offices to UI funds result in a sanction (Engström *et al.*, 2009).

192. Local Labour Committees take decisions about benefit entitlement in general (*e.g.* admission of entrepreneurs to benefit), not only benefit sanctions.

Table 4.10 Unemployment benefit refusals and sanctions, Finland, 1997 and 2007^a

| | 1997 | | 2007 | |
|---|----------------|-------------------------------|----------------|-------------------------------|
| | Persons | Incidence ^b (%) | Persons | Incidence ^b (%) |
| Miscellaneous initial conditions | 4 590 | 0.66 | – | – |
| On labour market less than six weeks in last six months | 4 590 | 0.66 | – | – |
| Voluntary unemployment | 21 252 | 3.04 | 20 000 | 5.26 |
| Refusal of suitable work | 10 760 | 2.53 | 11 000 | 4.95 |
| First refusal of work | 9 262 | 2.18 | 4 800 | 2.16 |
| Repeated refusal of work ^{c, d} | 1 498 | 0.35 | 6 200 | 2.79 |
| ALMP or related action plan | 30 013 | 7.06 | 44 100 | 19.86 |
| 1. Refusal or quit of ALMP | 30 013 | 7.06 | 37 800 | 17.02 |
| Refusal or quit of training/ALMP | 10 185 | 2.40 | 6 000 | 2.70 |
| Refusal of measures promoting employment | | | 1 600 | 0.72 |
| Under 25s ^{c, e} | 19 828 | 4.67 | 20 200 | 9.10 |
| More stringent criteria for LMS ^{c, e, f} | | | 10 000 | 4.50 |
| 2. Failure to agree or carry out action plan | – | – | 6 300 | 2.84 |
| Initial | | | 5 900 | 2.66 |
| Repeated ^c | | | 400 | 0.18 |
| Insufficient evidence of independent job search | – | – | – | – |
| Administrative infractions | – | – | – | – |
| Other | – | – | – | – |
| Total | 66 615 | | 75 100 | |
| Memorandum item: benefit claims | | | | |
| Annual new claims^g | 700 000 | | 380 000 | |
| Average stock of claims | 425 000 | | 222 100 | |
| Wage-related benefit | 230 000 | | 101 200 | |
| LMS | 170 000 | | 99 900 | |

– Nil or less than half of the last digit used.

LMS: Labour Market Support.

- Data relate to “opinions” issued by Labour Committees, which are binding on the party paying unemployment benefit.
- Incidence calculated as a percentage of new claims for *Miscellaneous initial conditions* and *Voluntary unemployment*, and as a percentage of the average stock of claims for the other categories.
- This is a so-called “duty to work” type of sanction, when entitlement is not restored until the jobseeker has been at work, in training or in a labour policy measure for either three or five months. In other cases, the opinions set a prescribed time without benefit (for one or two months, or three months in cases of voluntary quit).
- Repeated refusal of work includes repeated refusal of training in 2007.
- Sanctions for *Under 25s* and *More stringent criteria for LMS* can include sanctions for other reasons such as refusal of work.
- More stringent criteria for LMS* refers to sanctions for the long-term unemployed under LMS reform introduced in 2006.
- Annual new claims in 2007 are estimated as 12 times the number of unemployment benefit claims with an ongoing spell duration of zero to four weeks at the end of the year.

Source: For 1997, information supplied by national authorities; for 2007, MEE (2008), *Employment Report 2007* and KELA and ISA (2008), *Statistical Yearbook on Unemployment Protection 2007*.

311. By 2007, the number of sanctions under several pre-existing headings had declined roughly in line with the fall in unemployment. However sanctions for *Under 25s* had not declined. Also, new categories of sanction had appeared for *more stringent criteria for LMS* (introduced with the LMS reform of 2006) and *failure to agree or carry out action plan* (which covers both the individual job-search plans and activation plans: see Table 3.2 in Chapter 3). These new headings raised the total sanction rate in the category of *refusal of ALMP or related action plan*. This is in line with qualitative evidence, cited elsewhere in this report, that benefit administration and activation measures became considerably stricter between 1997 and 2007.

312. In an international benchmark table for sanction rates in 14 countries (Gray, 2003, Table 1), Finland in 1997 had the third-highest rate of sanction in the category of refusal of work, and the highest rate in the category of *ALMP or related action plan*, as compared to other countries with data for a nearby year. Yet since then, the sanction rate in the latter category nearly tripled, reaching nearly 20% per beneficiary-year. The new requirements probably contributed to the fall in unemployment benefit reciprocity rates. However, a high sanction rate does not necessarily indicate a high level of compliance with requirements. Indeed it may arise due to a high frequency of non-compliance. Causes of non-compliance can include:

- The risk of a sanction is not clear to the unemployed person. This seems possible because of ongoing uncertainty about what is compulsory within the action plan procedures;¹⁹³
- Referrals to job vacancies or training courses may be too far out of line with the individual's abilities or aspirations (so that for the unemployed person the cost of compliance with them is high). So far as possible, university-educated PES staff should be involved in referrals and action plan procedures;¹⁹⁴
- First sanctions may not be followed by repeat referrals (to a vacancy, programme or action plan procedure), leading in cases of continuing refusal to exclusion from benefit on availability-for-work grounds. In this case benefit could be received most of the time despite relatively systematic non-compliance with requirements;
- As noted above, in the past availability for work has not been assessed as a condition for paying assistance benefits, and there is little ongoing assessment of it in terms of job-search monitoring or similar: so availability may often not be tested until a job offer or similar is made; and
- Basic Allowance and LMS benefit levels in themselves are quite low (*net* benefit replacement rates can be quite high, but due to other means-tested benefits and tax factors), and the LMS benefit amount itself is sometimes reduced by means-tests, so in some cases the loss of net income resulting from a benefit sanction is fairly small.

These points suggest that the sanction rate could be reduced, while at the same time increasing the effective compliance rate, by clarifying requirements and issuing warnings before imposing a sanction; improving the quality of referrals through professional counsellor involvement where possible; following up cases after a first sanction; and strengthening the initial and ongoing assessment of availability for work.

4.7. Related benefits

Integration Assistance for immigrants

313. During their first three years in Finland, immigrants cannot get LMS, except in the form of Integration Assistance. The benefit amount of Integration Assistance is determined in the same way as for ordinary LMS, but the payment is conditional on the drawing up of a personal integration plan which sets out the measures needed to promote the immigrant's integration into Finnish society.

193. For example, adult LMS recipients knowing that participation in Rehabilitative Work Experience is not compulsory might incorrectly assume that participation in the activation plan procedure is voluntary.

194. Grubb (2007) describes a PES staffing arrangement in Luxembourg where the university-educated staff work in a separate counselling service, not making job and training referrals or generating sanction decisions.

A high rate of activation, in the sense of participation in active measures, distinguishes Integration Assistance from ordinary LMS. In 2007, 1.73 million days of Integration Assistance benefit were paid, of which 1.23 million (71%) were paid during participation in active measures (KELA and ISA, 2008).¹⁹⁵ Since Integration Assistance is mainly similar to LMS and is conditional on looking for full-time employment and registration as a jobseeker at the Employment Office (MoL, 2003a), it is treated in Tables 4.1 and 4.2 as an unemployment benefit.

Job Alternation Compensation

314. The first Act on Job Alternation Leave covered the years 1996-2002, and a renewed and amended version of the Act covered the years 2003-09. Since 2000, Job Alternation Compensation, the benefit paid to the person on leave, has had an average stock of 5 000 to 6 000 recipients at a point in time. Although this is similar to an unemployment benefit [KELA and ISA (2008) provides detailed statistics for it], the *OECD/Eurostat Labour Market Programme database* treats it as an active labour market (job rotation) measure (see Chapter 5 for further discussion).

Disability benefits

315. As noted in Section 4.2 above, although the overall incapacity (sickness and disability benefit) recipiency rate in Finland has not increased since 1980, it is still well above the OECD average. Growth has been restrained by a strong focus on occupational health care and by linking large employers' insurance premiums to their use of disability benefits. However, disability benefits are still to a large extent used (particularly by small employers, whose premiums are not fully experience-rated)¹⁹⁶ as a substitute for early retirement benefits, with 47% of all new recipients being in the age group 55-64 compared with 18% in the Netherlands and 29% in Denmark (OECD, 2008e; and Huovinen and Piekkola, 2001).

Rehabilitation allowance

316. Expenditure on rehabilitation allowance is less than one-tenth of expenditure on sickness allowance. Since it is paid to the disabled who take training to maintain or improve their working capacity, it has a clear activation objective. The allowance is paid for the duration of a rehabilitation programme if the object is the client's remaining in, or entry/re-entry into employment. In 2007, 2.1 million days of rehabilitation allowance were paid, corresponding to an average stock of about 7 000 people in receipt of it at a given point in time.¹⁹⁷ Rehabilitation Allowance is counted as a disability benefit in Table 4.2, but there is also a case for classifying it as an unemployment benefit (because its recipients must be preparing for employment) or an ALMP (if its recipients are involved in full-time training or similar activity).

195. Corresponding figures for regular LMS are 27.92 million days in total, of which 6.35 million (23%) were paid during participation in an active measure (KELA and ISA, 2008, Tables 4 and 13).

196. Full experience-rating cannot be applied to small employers without subjecting them to high levels of risk from factors outside their control, contrary to insurance objectives. Nevertheless, OECD (2008e) suggests introducing some form of experience-rating for SMEs at least for a limited number of years of disability benefit payment.

197. Assuming that Rehabilitation Allowance is paid for six days per week, which is the case for Sickness Allowance.

CHAPTER 5

ACTIVE LABOUR MARKET PROGRAMMES

5.1. Introduction

317. This chapter deals with the role of active labour market programmes (ALMPs) in helping the unemployed and other out-of-work groups to find jobs. Section 5.2 gives an overview of spending on ALMPs and its structure from a comparative perspective. Sections 5.3 to 5.5 describe and analyse different types of ALMPs, distinguishing between employment subsidies, job-rotation and job-sharing approaches and training measures. Section 5.6 examines the target-group orientation of the different programmes, the available evaluation studies on their impacts and other indicators of their comparative effectiveness.

5.2. The role and structure of active labour market programmes

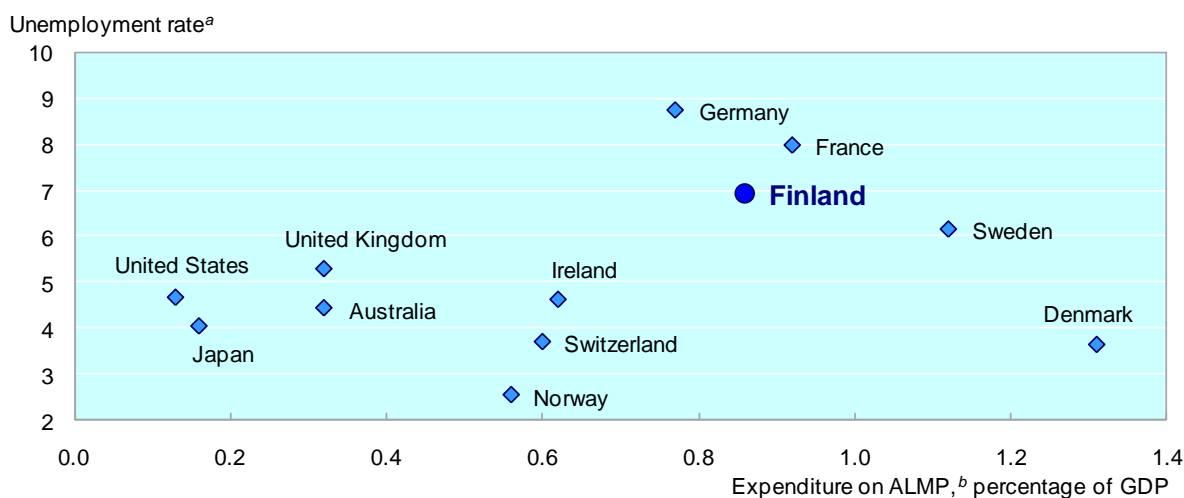
Active and passive labour market programmes

318. In Finland, public expenditure on active and passive labour market programmes totalled 2.3% of GDP in 2007. The share in Finland was lower than in Denmark (2.8%) but higher than in two other Nordic countries, Norway (1.0%) and Sweden (1.8%). (*OECD/Eurostat Labour Market Programme database*).

319. Differences in expenditure on ALMPs can only partly be explained by variations in unemployment rates, as many other factors are also influential. Figure 5.1 shows the difference between the expenditure for ALMPs in the case of “market-reliant” countries, with expenditure on ALMPs below 0.4% of GDP but relatively low unemployment rates, and other successful countries, which also have low unemployment rates, but higher expenditure on ALMPs, topped by Denmark with a share of ALMP expenditures in GDP of more than 1%. Finland’s unemployment rate and ALMP spending in 2007 were closer to levels in France and Germany than to those in other Nordic countries.

320. In Finland, the active share (Categories 1 to 7) within total spending on labour market programmes fell below 25% in 1993 and 1994, recovered to 31% by 1999, fell back slightly through to 2002 then recovered to 38%, its highest level since 1990, in 2007. The active share as a percentage of GDP fell from the very high levels of the early 1990s to 0.82% in 2001 but increased slightly to 0.86% by 2007. This reflects the combination of a 12% increase in the stock of participants (Table 5A.2) with an increase in the costs of ALMPs (Categories 2 to 7) per participant-year (19% in nominal terms from 2001 to 2007, see Table 5A.3) and growth in GDP. ALMP expenditure (Categories 1 to 7) as a ratio to the number of labour force survey unemployed – another indicator of the relative importance of these measures – rose by nearly three quarters between 2001 and 2007. In 1998, the stock of participants in ALMPs (Categories 2 to 7) amounted to 5.2% of the labour force. This share fell to 3.4% in 2001 but rose again to 3.7% by 2007, despite a further decline in unemployment.

Figure 5.1. **Incidence of unemployment and expenditure on active labour market programmes, selected OECD countries, 2007**



ALMPs: Active labour market programmes.

a) Unemployed as a percentage of the labour force.

b) Data for expenditure refer to Categories 1 to 7.

Source: OECD Labour Force Statistics database for unemployment rates; and OECD/Eurostat Labour Market Programme database for expenditure.

Overview of measures

321. Over time the use of the different types of measures has changed, both in structure and in volume, as a response to policy orientations and the business cycle. In the 1950s and the 1960s, “public work schemes” were used to support the small number of people in need of such work. There were typically low-pay and low-skill jobs. Their importance decreased in the 1970s. Employment in public works came to resemble regular work in terms of wages and working conditions, with only a quota of the jobs reserved for the unemployed (OECD, 1996a). Finland still does, in contrast to most other OECD countries, subsidise “employment-based investments... that promote new, permanent jobs and that provide impetus for employment”, and makes grants “to fund State agencies engaging in construction work... to speed up projects that are important to the management of employment”. These are listed as “labour market policy measures mainly targeting the unemployed” in MEE (2008, p. 85, and Table 10), but, in the absence of definite targeting on the unemployed, they are not counted as labour market programmes in the *OECD/Eurostat Labour Market Programme database*. Spending on them is now fairly low (under EUR 40 million in the 2007 budget).¹⁹⁸

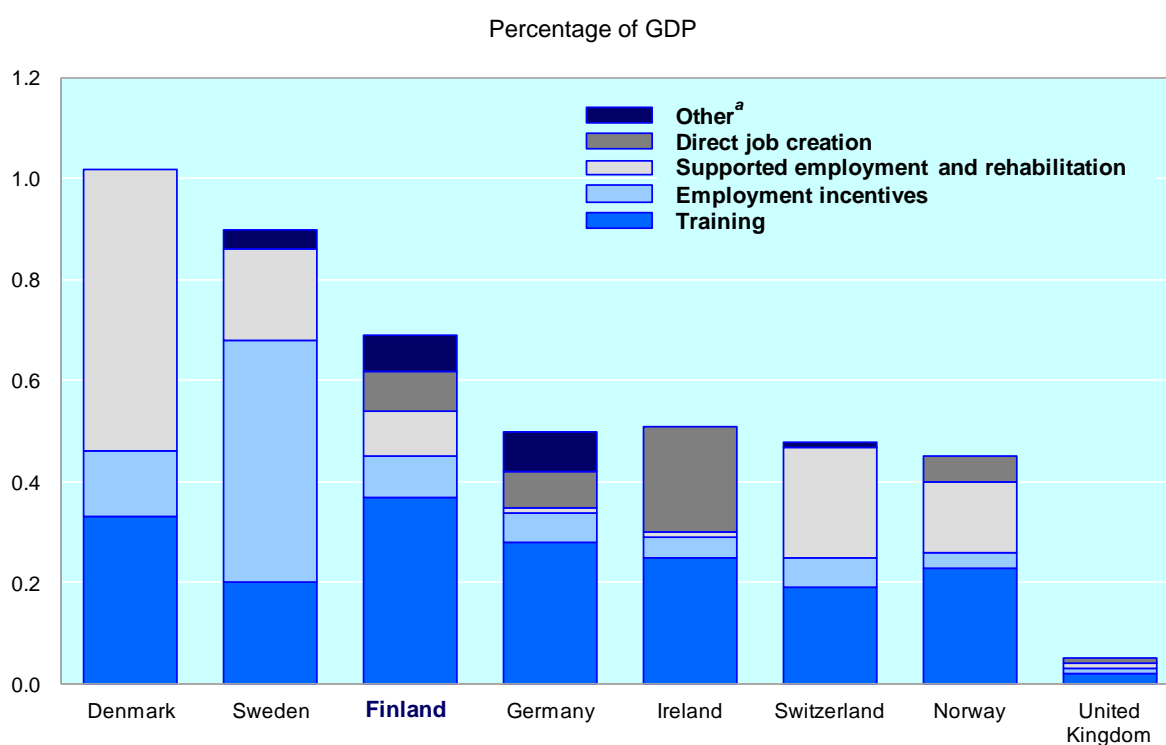
322. In the 1980s, the majority of active programmes were subsidised jobs in the public sector (Koskela and Uusitalo, 2004). Expenditure on direct job creation increased to over 0.6% of GDP, declined somewhat in 1993 after the formal job guarantee for the long-term unemployed was abandoned, but only declined sharply from 1997 when the possibility of renewing benefit entitlements through subsidised jobs was restricted (see Chapter 4). Expenditure on direct job creation fell to only

198. In January 2009, in the context of the financial and economic crisis, spending on employment-based investments was increased with an additional appropriation of EUR 1.5 million. Furthermore, the government allocated additional funds to the social housing sector and supports for infrastructure investments (about EUR 20 million) and granted additional loans to SMEs (EUR 300 million) (responses to an OECD/EC questionnaire).

0.1% of GDP after 2001, whereas expenditure on employment incentives (which were directed to both the private and public sectors) was approximately maintained, and exceeded expenditure on direct job creation for the first time in 2000. Labour Market Training expenditure as a percentage of GDP and the corresponding number of participants peaked in 1997 (see Figure 5.3 below) but rose again in the mid-2000s, and amounted to about 0.4% of GDP (mainly institutional training, 0.3% of GDP) in 2007. As compared with the other OECD countries shown in Figure 5.2, the relative weight of training measures is now high, comparable to the situation in Germany and Norway.

323. In the context of the economic crisis, the stimulus package foresees a supplementary budget for the different measures. The first supplementary budget for 2009 (the stimulus package) increased funding of ALMPs by EUR 22 million, consisting of EUR 7 million for employment and training measures in the context of the Change Security model for laid-off workers, EUR 10 million for Labour Market Training¹⁹⁹ and EUR 5 million for start-up grants. In addition, EUR 1.2 million were allocated to staffing for implementing the extended Change Security model. The second supplementary budget for 2009, proposed by the government on 10 September 2009, allocated an additional EUR 29 million to ALMPs.

Figure 5.2. Expenditure on active labour market programmes by main category, selected OECD countries, 2007

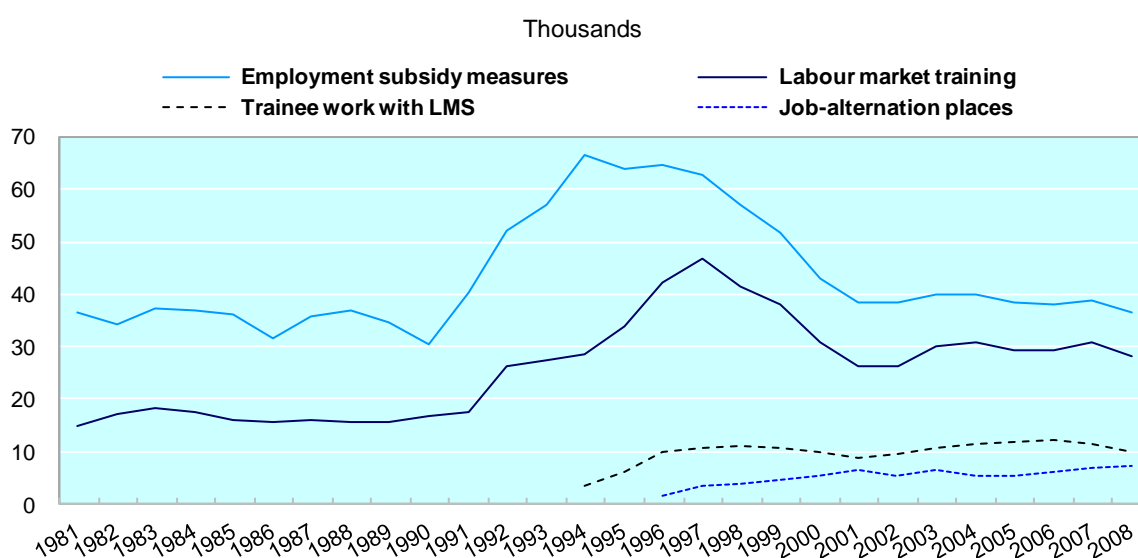


a) Other includes *Job rotation* (only for Germany, Finland and Sweden) and *Start-up incentives*.
Source: OECD/Eurostat Labour Market Programme database.

199. This represents an increase in the budget for labour market training by 3%. In addition, the supplementary budget allocates EUR 11 million to vocational education and vocational further education and training.

324. Figure 5.3 illustrates long-term trends of stocks of participants in employment subsidy measures (public-sector job creation and private-sector employment incentives together) and Labour Market Training. *Trainee work with Labour Market Support*, which was introduced in 1994, and *Job Alternation Leave* which was introduced in 1996 (see the description of these measures below) became fairly significant sub-components throughout the 2000s, given the decline in the other types of training and employment subsidies in the late 1990s. After 2001, the numbers of participants in employment subsidy measures and in Labour Market Training measures remained broadly stable, both increasing relative to the stock of unemployed.

Figure 5.3. Participants in active labour market measures, Finland, 1981-2008



LMS: Labour Market Support.

Source: MEE (2009a), *Työpoliittinen aikakauskirja* (Finnish Labour Review), Vol. 2/2009.

5.3. Employment subsidies

325. Employment subsidies – ranging from schemes that create temporary jobs in the public sector to subsidies for private employers who hire unemployed workers with a permanent contract – account for a noticeable share of ALMP spending and participants in some countries that have experienced or still face high unemployment, and this is the case in Finland (see Figure 5.3).

326. Finland has a wide range of subsidies to support the employment of the long-term unemployed, youths, and people with disabilities. A distinction can be made between wage-cost subsidies, paid to the employer to reduce the cost of hiring workers from disadvantaged groups and subsidies paid to individuals.²⁰⁰

327. In combination with the wider restructuring of the PES, the employment subsidy schemes were reformed in the beginning of 2006. The main objective was to increase the “quality and effectiveness of subsidised employment” through simplifying the bases for using the subsidies, making the pay-subsidised work more clearly part of the jobseeker’s job-search plan, and including training in the subsidised work (MoL, 2007c, p. 16).

200. These include the start-up grant, part-time pay supplement, subsidy for coaching for working life and training for apprenticeship, which are discussed in later sections of this chapter.

The Employment Subsidy for private employers and the Combined Subsidy

328. The *Employment Subsidy* for private employers was paid by the Employment Office to an employer who offered a permanent-employment contract to an unemployed person, and covered wages for an average of six months and a maximum of ten months. In the early and mid-1990s most participants were people on Earnings-related Allowance and their benefit entitlement was renewed by participation. However, before 2006 the subsidy for private employers (not counting cases where it was paid as part of a Combined Subsidy) was a relatively small measure in expenditure and participant terms, as compared with the subsidised employment in the public sector (see Tables 5A.1 and 5A.2).

329. The *Combined Subsidy* was targeted at the long-term unemployed. It was created in 1998 to prevent exclusion of the hard-core unemployed, as it became evident that those receiving LMS were seldom offered any active measures or employment services (Arnkil and Spangar, 2001). The key condition for payment of this subsidy was that the unemployed person had already received either LMS or an earnings-related or basic daily allowance for more than 500 days and was still entitled to LMS. The LMS that would otherwise have been paid to the unemployed person was instead paid directly to the employer when they hired someone from this target group. On top of this, the employer would receive an Employment Subsidy. This approach was seen as “activating” the passive LMS benefit.

330. Originally, the maximum duration of the Combined Subsidy was 12 months and the subsidy almost covered 100% of direct labour costs. However, in 2002 the total subsidy period was increased to 2 years with employers receiving the Employment Subsidy and the LMS together in the first year and only the LMS in the second year. Unlike other types of subsidised employment, from 2002 the Combined Subsidy allowed enterprises to employ people on a fixed-term contract (MoL, 2003b; and MISEP, 2002). These amendments were introduced to increase take-up.²⁰¹ Typically, the Combined Subsidy was paid to the State agencies and institutions, municipalities, companies and other private-sector employers, such as associations, foundations and households. But the measure was especially aimed at the creation of new jobs in the non-profit sector of the economy (the so-called “third sector” or social economy).²⁰²

Temporary employment in the municipal and state sector

331. The Employment Subsidy referring also to the *Pay Subsidy* since 2006, see below, can also be directed to employers in the municipal sector. The target group since the early 1990s (see also the discussion in Chapter 4) seems to have been people on Earnings-related Allowance, with the majority of the eligibility conditions the same as for employers in the private sector. However, an underlying difference arises from the conditions imposed on the type of employment contract: public-sector employers are *not* required to provide permanent contracts (Peer Review, 1999).²⁰³

201. Such changes may have contributed to the rise in the number of participants in Combined Subsidy measures which increased from 15 000 to 17 000 before declining in 2005.

202. Examples include sports clubs and organisations within the field of social and health work or providing afternoon activities for school children.

203. In 1994, “proposals for reform included making private-sector subsidies conditional on offering a long-term, or even a permanent contract” (OECD, 1996b), so it seems that this was implemented in the latter half of the 1990s.

332. According to Eurostat (2009b), the pressure on the municipality to hire the unemployed is even stronger when older workers are entitled to receive training or vocational rehabilitation, but the Employment Office has failed to find them suitable employment or suitable training or rehabilitation.²⁰⁴ The fixed-term nature of employment subsidies in the municipal sector may explain the high proportion of temporary work concentrated in the municipal sector and the low transition rates to open employment after completion of the measures (see the next section). However, the volume of employment subsidies in the municipal sector has declined substantially, as shown by both stock and expenditure figures (see Tables 5A.1 and 5A.2).

333. The *Temporary Government Employment* scheme also has the objective of creating temporary jobs for the unemployed, in particular for the long-term unemployed, youth, disabled and older workers. Subsidies are granted for ten months for temporary jobs in state offices and institutions in the case of unemployed and for two years in the case of disabled unemployed. The stock of participants declined from 7 500 in 1998 to around 1 800 in 2007. According to Aho and Koponen (2007), repeat participation was particularly common for those for whom the latest measure was employment on a Combined Subsidy or subsidised work for the State or a municipality.

The reformed employment subsidy system

334. Under the new framework since 2006, there is only one form of a wage subsidy for the employer – the *Pay Subsidy*. The eligibility requirement for the pay subsidy is that “there are deficiencies in the competence or vocational skills of the person to be employed on the subsidy, or his or her productivity in the task that is offered is estimated to be lower because of his/her long period of unemployment, disability or another reason” (MEE, 2008). The pay subsidy for employers in the municipal and the private sector is divided into two parts – the basic subsidy and the “additional part”. The basic subsidy is equivalent to the level of the basic Unemployment Allowance (an average of EUR 550 per month in 2009).

335. The subsidy is normally paid for no more than ten months, but longer payments are applied to the most disadvantaged groups and for apprenticeship training. The rationale is to give employers greater incentives to employ groups furthest away from the labour market and to build training into the work environment. The additional part, which is capped at 90% of the basic subsidy, is paid when:

- The worker is from the major target groups – the long-term unemployed, disabled jobseekers and hard-to-place jobseekers; or
- The employer makes a commitment to improve the skills and competence of the subsidised worker through on-the-job training or otherwise, or through paid apprenticeship training.

The higher rate of subsidy (basic plus the supplementary part) is paid only for 12 months, so that only the basic subsidy is paid in the second year. Exceptionally, when the employer is a Social Enterprise, the higher subsidy can be paid for two years.

336. For the new pay subsidy, as for temporary municipal and state employment, after the subsidised job has ended participants must be registered unemployed for at least five of the last six months before they become eligible for employment with a subsidy again. This regulation may help to prevent quasi-permanent subsidisation of municipal and state employment and increase the chances of

204. People aged at least 55 years but not yet 57 and born before 1950 and people born in 1950 or after aged at least 57 years but not yet 59, who have received Unemployment Allowance for the maximum duration of 500 days, are entitled to training or vocational rehabilitation.

placement in the open labour market. For disabled jobseekers, however, a new subsidy period can be granted immediately, if their conditions have not changed.

337. In addition to greater emphasis on up-skilling of the subsidised workers, the pay subsidy is an important element in the jobseeker's individual job-search plan. The inclusion of labour market measures in individual job-search plans encourages more intensive follow-up during and after the subsidy period. In addition, the jobseeker can receive a pay-subsidy voucher (valid for three months at a time) from the Employment Office which he or she can take to a potential employer to show that a subsidy will be paid if he or she is hired. So far, the voucher scheme has not been very successful.

338. In other cases, where the new pay subsidy is paid to LMS recipients, it is at first sight similar to the old Combined Subsidy. However, there seems to be greater focus on promoting employment for the most disadvantaged groups through paying more generous subsidies to social enterprises for the disabled, and the strengthened incentives to provide training which may help participants to move into the open labour market. While such changes are steps in the right direction, it is too early to assess whether they will have an impact on the employment outcomes of participants.

Evaluation evidence relating to wage subsidies in Finland

339. Evaluation studies typically report that public-sector job-creation programmes have little positive impact on the later job prospects of their participants,²⁰⁵ though it may be argued that they help severely disadvantaged groups to stay economically active.²⁰⁶ More recently, a number of comparative studies using matching estimators have identified private-sector incentive programmes as having a more positive impact on the job prospects of their participants than job-creation or training programmes.²⁰⁷ Also some studies have recognised the importance of motivational effects,²⁰⁸ which involve an impact on job entry before programme participation starts (Martin and Grubb, 2001; OECD, 2005; and Kluge *et al.*, 2007).

205. For example, results from job-creation programmes (*Arbeitsbeschaffungsmaßnahmen*) in Germany, used widely in the context of the economic transition process in East Germany, showed large substitution and displacement effects as well as low transitions to the regular labour market. As part of the recent labour market reforms, this type of job-creation programme was substantially reduced while a new measure was introduced, targeted at long-term unemployed and people with little work-experience, the so-called "One-Euro Jobs". Recent evaluation results indicate that there are small negative lock-in effects during programme participation although some positive impact was found for participants older than 25 years of age who had not worked or worked irregularly for long periods (Wolff and Hohmeyer, 2008).

206. In Ireland, participants in the Community Employment scheme (the largest job creation scheme) move onto jobs in the private sector less frequently than participants in other programmes do, but they perform useful work within their communities (*e.g.* see Grubb *et al.*, 2009).

207. Although OECD (2005) argues that, because participants in private-sector incentive programmes have already been hired by private-sector employers, there is no clear case for interpreting their positive employment prospects as an impact from the hiring subsidy. Also, the concern that private-sector hiring incentives suffer from non-negligible deadweight and substitution effects remains relevant. Another complication is that some training programmes have long-term positive effects that are not captured in the short-term data typically available for these studies.

208. Motivation effects arise when benefit recipients step up job-search efforts (or drop their benefit claims) as the time approaches when benefit levels fall or participation in a programme becomes compulsory.

340. The main findings from evaluation literature relating to the Finnish employment subsidies can be summarised as follows. First, a number of studies have shown that the net effect of employer subsidies in the public sector have been low. Tuomala (2002) found that programme participation even reduced the probability of finding a job in the open labour market. Hämäläinen and Tuomala (2006) concluded that only employment subsidies in the private sector promoted the employment possibilities of unemployed people. A more recent study estimating the share of those who were employed three months after the measure had ended showed that in 2005, this share was higher for the employment subsidy paid to private-sector employers (42%) than when it was paid to state and municipal employers (22% and 24%, respectively (Aho and Koponen, 2007). This may not be surprising, given that the public-sector employers typically hire on fixed-term contracts. The share entering employment was much lower for participants in the Combined Subsidy, with little difference between the outcomes in the public and private sectors (9% and 10%, respectively). The poor results can be attributed to the characteristics of its target group, which is primarily the very-long-term unemployed.

341. Second, the substitution and displacement effects of hiring subsidies in Finland appear to be low. Kangasharju (2007) examines whether subsidised jobs, which have contributed to employment in subsidised firms, have merely substituted for non-subsidised ones. The results indicate that wage subsidies stimulate total employment, and have no sizeable effects on non-subsidised firms in the industry or the geographical area in question.²⁰⁹ Similar results are found by Kangasharju and Venetoklis (2003) and Hietala and Hietala (2004): the latter study found that the Combined Subsidy had almost negligible displacement effects.

342. More recent evidence on employment subsidies is available through the follow-up statistics collected by the Ministry on those who participated in labour policy measures. Table 5.2 shows the status of those having finished subsidised work three months after the measure ended. The total number of exiters has decreased (almost halved) during the past ten years, reflecting the generally declining use of employment subsidies. During this period, the share of participants passing from subsidised work to another kind of measure rose from 12% in 1998 to 20% in 2007, while the share moving to open employment was rather stable. This may show that the “core”, *i.e.* the most disadvantaged individuals finishing subsidised work have become more “measure-dependent” over time. But in some cases subsidised work is intended to prepare for the starting of a training measure. The share of participants entering unemployment has also declined. The decline in the proportion entering unemployment and slight increase in the proportion entering employment probably reflects the general recovery of the labour market, which has more than offset any negative change in client characteristics over time.

Table 5.1. **Status three months after the conclusion of a subsidised job, 1998-2007**

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------------------|---------|---------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total exiters ^a | 113 317 | 100 532 | 83 237 | 75 171 | 65 532 | 63 094 | 61 376 | 60 759 | 59 200 | 66 176 |
| Percentages of exiters | | | | | | | | | | |
| <i>Unemployed</i> | 48 | 48 | 50 | 52 | 52 | 52 | 51 | 47 | 42 | 40 |
| <i>Started in a measure</i> | 12 | 11 | 11 | 11 | 14 | 15 | 16 | 16 | 20 | 20 |
| <i>Employed</i> | 27 | 29 | 28 | 30 | 27 | 26 | 30 | 29 | 30 | 30 |

a) The total refers to participants in the Combined Subsidy and employment subsidies in both the public and the private sectors.

Source: MEE (2008), *Employment Report 2007*.

209. The dataset is a panel of some 31 000 firms that were followed annually between 1995 and 2002. The analysis is based on difference-in-differences estimators, which are adjusted by regression and matching methods.

343. The share of the state and the municipal sectors in entries to subsidised work has declined since 2000. In 2000, almost half of the subsidised job entries were into municipal employment, while 20% were into work with a community or private employer and only 15% were into enterprises.²¹⁰ In 2007, the shares were 32%, 26% and 30%, respectively. These trends are in line with government policy, which has consistently focused on moving people into private-sector employment and enterprises (MEE, 2008).

Social enterprises

344. Finland is broadening the range of active labour market programmes through alternative measures such as social enterprises for employing the disabled and the long-term unemployed. Although social enterprises can be active in a wide range of activities, work integration of disadvantaged people is often seen in Europe as a major field for social enterprises.²¹¹ In Finland, work-integration social enterprises are in practice the only type of social enterprises and the term “social enterprise” (*Sosiaalinen Yritys*) was reserved for them by the Finnish Act on Social Enterprises 2003 (Defourny and Nyssens, 2008). The objective is to create job opportunities for people with relatively low productivity by directing the pay subsidy to “social enterprises” which operate in the open market. More generous subsidies are given to social enterprises in return for their commitment to regularly report their operation to the labour market authorities. The commercial nature of social enterprises ensures that people with reduced work capacity will use their work capacity in the most productive way (Box 5.1).

Box 5.1. The role of social enterprises in the Finnish labour market

In recent years, Finland has increased its efforts to develop intermediate labour markets to support individuals who find it extremely difficult to enter or return to the mainstream labour market. The concept of intermediate labour markets (ILM) refers to an intermediate “bridge” between unemployment and the regular labour market, consisting of a variety of measures including temporary work, work practice, work in social enterprises and voluntary organisations (Arnkil, 2008).

The need for and the relevance of social enterprises, as means for employing people with disabilities and the very-long-term unemployed, has been well accepted among the Finnish labour market actors due to widespread long-term unemployment and persistent unemployment among the disabled. The Act on Social Enterprises (1351/2003) entered into force at the beginning of 2004. Registered social enterprises operate as a business paying normal wage rates, but at least 30% of employees must be either disabled people or long-term unemployed. In return, a social enterprise receives more-generous-than-usual hiring subsidies in the case of long-term unemployed and the disabled. By the end of 2007, 148 companies had registered as social enterprises and they had about 750 employees, of whom around 40% were disabled and long-term unemployed. The social enterprise arrangement seems to have several different advantages compared to a simplistic use of private-sector hiring subsidies. These include:

- The registration of social enterprises allows better basic surveillance and visibility of the employer’s behaviour;
- Under the terms of registration, the Employment Office receives notification of the enterprise’s subsidy and salary payments electronically, making supervision relatively cheap;

210. “Community or private employer” here probably refers to the self-employed, associations and para-public entities such as hospitals, while “enterprises” refers to incorporated enterprises.

211. Although this is a relatively new initiative in Finland, a number of countries have used such schemes as an alternative to the traditional job-creation programmes in the past. These include Belgium (work-integration social enterprises), France (insertion-enterprise pathways) and Germany (work-integration social enterprises).

Box 5.1. The role of social enterprises in the Finnish labour market (cont.)

- The jobs offered can be permanent by default (the employer can be expected to explain when this is not the case, e.g. report back on quits or dismissals for fault);
- The stable framework allows employers to develop expertise in the productive use of disadvantaged workers; and
- Competition ensures that only efficient operations survive and that there is still a “level-playing field” for ordinary commercial enterprises operating in the same sector.

However, the growth of social enterprises has been very slow. An early evaluation found that “among the existing social enterprises and their interest groups, the act is considered to be quite appropriate. The poor availability of proper financing and the absence of good business ideas and know-how are the main impeding or limiting factors affecting the creation of social enterprises” (Karjalainen *et al.*, 2006). However, the fact that growth is limited to situations where an entrepreneur has identified a good fit between the abilities of disadvantaged workers and market demands should be seen as an advantage of this model, as compared to the common practice of granting subsidies with little effective surveillance and control. At the beginning of May 2007, the maximum level of wage subsidies granted to social enterprises was increased to encourage faster growth: in principle, through such adjustments the authorities can, over the longer term, adjust take-up rates towards an optimal level.

All in all, this type of LMP seems preferable to either sheltered workshops or simplistic private-sector hiring subsidies for disadvantaged unemployed.

Start-up incentive schemes

345. In Finland, the start-up grant is the main scheme to encourage the unemployed to start their own business and to increase self-employment. The conditions for granting this support include that “the applicant has experience of enterprising or training required in entrepreneurial activities (which can also be arranged while the grant is running), the start-up company has the prerequisites for operating profitably, and that the subsidy does not distort competition” (MEE, 2008). Until 2007, the start-up grant was available for a maximum of 10 months given in two periods, the first of which was a maximum of 6 months in duration, and the second a maximum of 4 months, which was conditional upon whether business activities were launched in accordance with the business plan or if the entrepreneur already gained sufficient income from the business at the end of the 6 months. From 2008, the start-up grant was extended to a maximum of 18 months.

346. In the beginning of 2005, the target group for the start-up grant was extended to groups outside the labour market.²¹² The target group now includes those who are at risk of becoming unemployed, inactive, students and those doing household work. The number of new entrepreneurs commencing on a start-up grant increased from 6 900 in 2005 to 8 550 during 2008. The share of the new target group increased, while 4 862 were non-unemployed and 3 688 were unemployed. Of those who were not unemployed, the majority of the recipients were already in work (MoL, 2007a; and MEE, 2008).

347. Stenholm (2006) evaluated the outcomes of the start-up grant trial. At the time of the study, around 87% of the enterprises launched with start-up grants in 2005 were still in business. Nevertheless, the survival rate of firms participating in the study which were established without a start-up grant was identical at 86%. Nearly two-thirds of the non-unemployed beneficiaries of start-up grants felt that they would also have set up their enterprise without the grant. This may indicate that the start-up grant was slightly more significant for unemployed people than for those not unemployed.

212. As a trial measure in 2005 and 2006, extended in 2007 and made permanent from 2008.

348. In comparison to other subsidy measures, start-up grants have the best post-programme employment rates. The probability of being in employment after three months following the end of start-up grants was around 72% (Aho and Koponen, 2007). It can be argued that the relatively high rates reflect positive self-selection, with participants being relatively motivated and experienced workers who are more likely to be successful than the average long-term unemployed person.

Domestic help credit

349. The government has initiated several policy measures to increase the demand for jobs by reducing the cost of low-productivity work. The Finnish labour market has relatively few labour-intensive jobs that require a low level of expertise and training. In a context of increasing labour costs, these low-skilled jobs were the first to become unprofitable.

350. One of the measures to boost employment among the low-skilled workers in the low-productivity sector is the domestic help credit, which commenced in 2001.²¹³ It allows households to make tax deductions based on their payments for different kinds of household services, such as cleaning, home repair, carer's responsibilities for aged person or children at home. In 2004, the total number of households applying the deduction for household services reached 155 802, equivalent to 6.6% of all households. They reported purchases of EUR 457 million, generating tax deductions worth EUR 111 million. Niilola and Valtakari (2006) conclude that the scheme has "proven to be a cost-effective way of creating new jobs". The scheme has also increased incentives for households to use the official (rather than the shadow) labour force, created a positive attitude towards buying such services and increased efficiency in the social distribution of work.²¹⁴ However, a number of studies have criticised the study for not taking into account of the possible crowding out of other work. For example, "...lower taxes in one area must be balanced by higher taxes elsewhere or by reduction in government expenditure that may lead to less employment in other areas..." (NIER, 2005; and Uusitalo, 2005).

5.4. Job-rotation and job-sharing approaches

351. Job sharing to create employment opportunities for the unemployed has been a key ALMP in Finland. Finland also has two job-rotation schemes: the *Part-time Pay Supplement* scheme and *Job Alternation Leave*. Both approaches build on the idea that an employed person on leave or reduced working hours can be replaced by an unemployed person.

352. The part-time pay supplement scheme was developed with a view to helping employees cope with work fatigue, and to promoting the reconciliation of work and family life. Under this scheme, people can voluntarily transfer from full-time to part-time work for a maximum of one year and be granted compensation for their reduced income. The compensation is about half of the income loss. The only precondition is that the employer agrees to hire a registered unemployed person for the same time period, but not necessarily for the same tasks. The unemployed person should be unemployed for at least five out of the previous six months or be over 55-years old. There is no compensation for this person except for the part-time wage from the job and in relevant cases an adjusted allowance (see Chapter 4).

213. Tax measures are counted as employment incentives (hiring subsidies) in the *OECD/Eurostat Labour Market Programme database* if they are restricted to the unemployed or a similar group, although this is not the case for the domestic help credit.

214. Similar schemes in other countries are described by Renooy *et al.* (2004), who cite Belgium's service vouchers, France's *Chèque Emploi Service* (CES) and *Titre Emploi Service* (TES) and Denmark's Home Service Scheme as good-practice examples.

353. Over time, the take-up of the pay-supplement measure has declined while the Job Alternation Leave has become more prominent.²¹⁵ The Job Alternation Leave started in Finland as a two-year experiment in the beginning of 1996. The temporary act was extended in several phases until the end of 2002. Räsänen and Skog (1998, p. 158) provided an early critique of Job Alternation Leave:

“In practice, replacements for employees on Job Alternation Leave or part-time supplement have usually been educated people aged between 25 and 34 who have been unemployed for a very short time prior to being employed as a replacement. Most of the replacements had been unemployed for less than three months and 12% for only one day. Long-term unemployed people formed only 7% of all replacement. In practice, Job Alternation Leave is more of an opportunity for the employee to rest and relax than a labour market policy measure”.

354. A new *Act on Job Alternation Leave (1305/2002)*²¹⁶ became effective from the beginning of 2003 and will remain in force until the end of 2009.²¹⁷ Under this scheme an employee, in accordance with a job-alternation agreement made with the employer, can be released for a fixed period (from 90 days to a maximum of 359 days)²¹⁸ on sabbatical leave. The employer is obliged to recruit an unemployed jobseeker for the same period. Since 2002, only employees who have been working for at least 10 years are entitled to this leave, with still no restriction on unemployment duration for the substitutes. During the leave, employees receive compensation equal to 70% of the wage-related unemployment benefit, increased to 80% for employees who have been in employment for 25 years.

355. Over 130 000 people took Job Alternation Leave in the period from 1996 to the end of 2007 (MEE, 2008).²¹⁹ The scheme is particularly popular among women, who make up 70% of the total leave takers and substitutes. In the early period, this leave scheme was mostly used in parts of the public sector, such as healthcare, where female workers predominate and the employees have the greatest difficulties in “coping” at work (www.eurofound.europa.eu/eiro/2002/09/inbrief/fi0209109n.htm). Private-sector employers more recently report some people requesting leave in order to build their own house. The average age of the substitutes has been 22-24 years for the whole duration of the Job Alternation Leave system. This is in line with the target of promoting employment among youth. However, the average age of those taking leave has risen and the take-up of the scheme among 30-34-year olds has fallen by half during the analysis period, mainly due to the introduction of the 10-year qualifying requirement.

215. The number of participants on the pay-supplement measure decreased from around 7 000 in 1998 to approximately 1 600 in 2006, while the expenditure fell from EUR 36 million to EUR 9 million over the same period (*OECD/Eurostat Labour Market Programme database*).

216. Available at www.finlex.fi/pdf/saadkaan/E0021305.PDF.

217. However, a legislative reform that will come to effect in the beginning of 2010 will make the Job-alternation system permanent.

218. In contrast to days of unemployment benefit (paid 5 days per week) and sickness and parenthood allowance (paid 6 days per week), days in this case refer to 7 days per week, so 359 days is slightly less than a year.

219. The prevalence of work-sharing approaches can also somewhat explain the high number of fixed-term contracts in Finland (as seen in Chapter 1), which may arise under the above two schemes.

356. A study commissioned by the Ministry of Labour in 2005 found that the scheme had a positive impact on working lives of both the alternators and the substitutes. Most alternators reported an improvement in their psychological and physical well-being, while the substitutes reported improvements in their self-esteem and expected better employability. However, the latter regarded the short and the temporary nature of the work as well as lack of training and organisation of work as negative aspects of the scheme.

357. Job-rotation schemes are not unique to Finland, since several other countries introduced similar schemes in the 1990s. However, Belgium, Denmark and Norway had abolished their schemes by 2002. For example, in Denmark's sabbatical leave programme, which was introduced in 1994, the person going on leave was replaced by an unemployed person during his/her period of absence; but this programme was cut back as labour shortages emerged, and closed in 1999. In 2006, Finland devoted 7.2% of its expenditure on ALMP measures (Categories 2 to 7) to Category 3 *Job rotation and job sharing*. Sweden also devoted 5.6% of its expenditure on ALMPs to its *Career Break* scheme in 2006, but this was abolished in 2007. Only three other countries reported any spending under this heading and this was very low: in Spain, 1.2% of expenditure on ALMP measures; in Italy, 0.6%; and in Germany, 0.04% (Gagel, 2008, Table 3; and www.oecd.org/els/employment/stats).

358. The Job Alternation Leave scheme was created when the employment situation was clearly worse than today, and it seems doubtful whether such a scheme should have continued in the context of labour shortages. While it reduces the risk of unemployed people becoming trapped in long-term unemployment, a job-alternation place for 34 weeks still allows an unemployed person who was nearing the end of his or her UI entitlement period to requalify for another two years' benefit – a possibility which, for participants in other ALMPs, was abolished in 1997.²²⁰ Although Finland did restrict the programme through the 10-year work-history requirement, this perhaps encouraged a perception of it as a reward for people who have been employed for long periods. The principle of subsidising leave from public funds remains exceptional.²²¹ Possibly a few other countries will revive job-rotation and job-sharing approaches in response to the current crisis, but short-time work schemes seem to have been a more common response.

5.5. Training measures

Labour Market Training

359. *Labour Market Training* is for people over 20 years of age who are unemployed or under threat of unemployment. It consists of preparatory and vocational Labour Market Training, mainly vocational training in the case of adults who already have work experience. The average duration of vocational training is five months, but preparatory training is much shorter. In 2005, the average price of a place was EUR 6 400 for preparatory training and EUR 8 200 for vocational Labour Market Training (MoL, 2006b).²²²

220. Øverbye (2006) states that in Finland “After 1997 it is no longer possible to qualify for a new period of benefits by only participating in public support work” (*i.e.* subsidised work), although the fully history of this issue is relatively complex (see Chapter 4 for further discussion).

221. Benefits are typically paid to the unemployed during labour market training, but this is subject to additional conditions of involuntary job loss, and is often restricted to authorised types of training and in terms of unemployment spell duration.

222. The prices cited are the annual cost of a Labour Market Training place, with one place allowing the throughput of two to three participants per year on average, and not including the cost of income support paid to programme participants which represents 60% of the average cost reported in

360. Preparatory training is aimed at offering basic job-search skills and guiding jobseekers to select suitable vocational training alternatives. It is subdivided into four different types of training: *i*) training for immigrants to promote their integration into the Finnish society (representing 45% of the budget for preparatory training in 2007); *ii*) training for people who are unsure about which vocational orientation to choose, of whom most can be regarded as disadvantaged people (46%); *iii*) training in basic computer skills (8%); and *iv*) language training (1%) (MEE, 2008).

361. Vocational training provides a formal qualification or a part of it. Almost three-quarters of the participants are trained in the 11 largest target occupations, in the areas of industrial professions (30% of participants in 2007), professions in the construction industry (15%), administration and office work occupations (14%), health and social work (15%) (MEE, 2008). Since the end of the 1990s, the most important structural change consisted in a shift away from administrative professions and towards training in health care and social work. Since 2003, training programmes have also been directed towards higher education degrees.

362. In general, training may be offered as supplementary training, continuing professional education or as jointly-financed training together with an employer. In the latter case, which represents 8% of all labour-market-related training days, the employer, the Labour Administration and a training institution co-operate to provide training, either for newly-recruited workers or for the existing workforce in order to secure their jobs. Jointly-financed training was organised in 2008 under three new headings for different labour market situations: “Recruiting Training” for new applicants, “Smart Training” for updating the skills of staff and “Change Training” in cases of dismissals and redundancies. In the worsening labour market situation of 2009, it was extended to temporarily laid-off workers. The Labour Administration covers 20% to 80% of the costs for the purchase of the courses depending on the product, the content of training and the size of enterprises (MEE, 2009b). It intends to expand this type of training, but administrative barriers are still high and knowledge at company level about this measure remains low.

363. The objective has been to expand those programmes which lead to an examination (and qualification), in order to respond to the growing demand for more expertise, and the share of such programmes rose substantially in 2005.²²³ The focus is on providing demand-driven, workplace-oriented training opportunities for unemployed jobseekers and for employers, by offering tailored curricula according to the needs of individuals and workplaces. Training is mainly organised by vocational adult education centres (52%), vocational institutions (20%), institutions of higher education (5%) and private suppliers of training services (22%) (2005 figures from MoL, 2006b). In remote areas, the organisation of training remains difficult. Centralisation of the training in fewer but larger centres would be more efficient, but low regional mobility (in particular, reluctance to attend courses that are beyond commuting distance) still represents a barrier to this, although training can in some cases be delivered as distance training. The programmes normally include on-the-job training spells, which may involve travel to different locations.

Table 5A.1 (EUR 16 200 in 2006 for measure FI-6 *Labour Market Training*). In 2007, the average price for preparatory training was EUR 27.6 per day and the price of vocational training varied between EUR 20 (*e.g.* training in the trade sector) and EUR 80 per day.

223. Typical areas of study leading to an examination are: mechanical and metal engineering, energy technology, process, chemical and material engineering, cleaning services, construction, electrical and automation technology, tourism, transportation sector, business administration. Basic examinations are also completed in social welfare and health care.

364. Since the 1990 Labour Market Training Act, the Labour Administration is wholly responsible for financing Labour Market Training. The implementation of training measures is devolved to the regional and local levels (Temmes and Melkas, 2001). The volume of vocational training is estimated first at the level of the local Employment Offices, and the information is gathered at the level of the regional T&E Centres. These have in principle a great deal of discretion over how to use the budget and reallocate it between different types of labour market programme (see Chapter 2). But in practice the purchasing of vocational training is based very much on the supply from training institutes, which in turn is built upon the budget information. Various studies are carried out for estimating labour shortages, recruitment and training needs at regional and national level. The aim is to integrate the use of the studies and tools and build up a more transparent anticipation system over the country. More systematic and comparable regionalised studies might better match training supply to the needs of the regional labour market.

365. Applications for training programmes are handled by the Employment Offices. Participants receive a sum equalling their unemployment compensation and a daily allowance for maintenance and possibly for accommodation. The training allowances are, in the short term, financially more attractive for the unemployed than for those in work, who can get a study-leave allowance amounting to 70% of the unemployment benefit level. Young people aged less than 25 years and not entitled to unemployment compensation are paid LMS during the period of participation. The training period is not counted as employment that makes contributions towards future UI benefits (Hämäläinen and Tuomala, 2007).

366. In 2007, there were on average some 27 900 people in Labour Market Training, the majority of them in vocational training (MEE, 2008). But in terms of the number of entrants during the year (69 900), preparatory training dominated because of its shorter average duration of participation. About three-quarters of the participants in Labour Market Training were unemployed prior to participation. Since 2000, this share has decreased by roughly 10 percentage points while the shares of people in work and of people outside the labour force among the participants have both nearly doubled.²²⁴

367. The share of participants in Labour Market Training aged between 25 and 44 is higher than their share among the unemployed. By contrast, older workers aged 50 or more account for 40% of unemployed jobseekers, but only 17% of participants in Labour Market Training (2007 figures from MEE, 2008). Similarly, the long-term unemployed were under-represented among participants (7%). Labour Market Training was targeted at the foreign population, as they represented 20% of the participants.²²⁵ As already mentioned, this is linked to their high participation in preparatory training. The share of disabled was 10%.

368. Table 5.2 shows rates of participation in training and other active measures (not including subsidised employment where a wage is paid) by type of benefit (Earnings-related Allowance, Basic Allowance and LMS). In 2007, rates of participation in ordinary Labour Market Training on a stock (point-in-time) basis averaged about 9% for each type of benefit.

224. In 2007, about 4% of participants were at work and nearly 10% were outside the labour force. A further 1% of participants were laid off but not yet unemployed, and 5% were threatened by unemployment (MEE, 2008, Table 3).

225. The foreign population's share among the registered unemployed was only 5.7%. Recent immigrants are less often eligible for the common types of unemployment benefit, so their share among registered jobseekers might be higher. Also, for them entitlement to LMS is replaced by entitlement to Integration Assistance for immigrants, which involves a high rate of participation in active programmes (see Chapter 4).

Table 5.2. **Participation in Labour Market Training and other active programmes by type of benefit received, 2007**

| Type of benefit | Earnings-related | Basic | LMS | Earnings-related | Basic | LMS |
|---|-------------------|-----------|--------|---|-----------|------|
| | Allowance | Allowance | | Allowance | Allowance | |
| | Thousands of days | | | Active measures as a percentage of total days | | |
| Passive benefit | 25 443 | 4 130 | 21 509 | | | |
| Labour Market Training ^a | 2 562 | 449 | 2 578 | 9.0 | 9.5 | 9.3 |
| Training Allowance ^a | 338 | 129 | – | 1.2 | 2.7 | – |
| LMS recipients in active measures | – | – | 3 768 | – | – | 13.5 |
| Active measures, total ^b | 2 900 | 578 | 6 346 | 10.2 | 12.3 | 22.8 |
| Total, active and passive recipients ^b | 28 343 | 4 708 | 27 855 | | | |
| | Year-end stock | | | Active measures as a percentage of year-end stock | | |
| Passive benefit | 101 230 | 16 150 | 72 291 | | | |
| Labour Market Training | 9 930 | 1 740 | 11 118 | 8.8 | 9.5 | 11.1 |
| Training Allowance | 1 310 | 500 | – | 1.2 | 2.7 | – |
| LMS recipients in active measures | – | – | 16 531 | – | – | 16.5 |
| Active measures, total ^b | 11 240 | 2 240 | 27 649 | 10.0 | 12.2 | 27.7 |
| Total, active and passive recipients ^b | 112 470 | 18 390 | 99 940 | | | |

LMS: Labour Market Support.

– Not applicable.

a) Days of *Labour Market Training* and *Training Allowance* for the first two benefits estimated as year-end stocks multiplied by (21.5 x 12).

b) Includes active measures where the participant receives a benefit or subsistence allowance, not subsidised employment with the payment of a wage.

Source: KELA and ISA (2008), *Statistical Yearbook on Unemployment Protection 2007*, Time-series Table 2, Table 2, Table 13 and Table 14.

369. In 2007, three months after the completion of vocational Labour Market Training an estimated 40% of participants were in employment, 19% had started in another measure and 31% were still unemployed (Aho and Koponen, 2007; and MEE, 2008). Only about 15% of participants are employed three months after completing preparatory vocational training. However, it needs to be kept in mind that preparatory Labour Market Training in principle prepares participants for entry to vocational training or other measures, and not necessarily direct entry to the open labour market. However, three months is too short a period for measuring the full impact of training measures. Aho and Koponen (2007) monitored an increase of some 12 percentage points in the employment rate after two years. In general, impact evaluation studies have concluded that training programmes have been beneficial for most participants, notably for young people (see Box 5.2).

Box 5.2. Evaluations of Labour Market Training

In Finland, evaluations of the impact of different training measures using econometric models indicate that training programmes have been beneficial for most participants, and notably for young people: see overviews of studies in Koskela and Uusitalo, 2004; Kauhanen *et al.*, 2006; for young people, Hämäläinen and Ollikainen, 2004; and Hämäläinen and Tuomala, 2007.

Hämäläinen and Tuomala (2007) estimate that, for young people aged 16-25 who became unemployed in 1998, participation in vocational Labour Market Training increased subsequent employment rates by 6 percentage points on average. This finding is based on monthly data comparing the employment rates of participants in vocational Labour Market Training with those of a matched control group until the end of the year 2002, about 40 months after the end of participation. However, the authors warn that their instrumental variables estimates “cast some doubts on the large employment effects produced by matching methods. There seem to be some unobserved factors that partially determine the participation in Labour Market Training and are positively correlated with the probability of subsequent employment. The reason for this may be connected to the motivation of job-seekers or health-related issues etc”. With controls for unobservable factors, the estimated impact of training on employment rates is considerably smaller (below 3 percentage points).

Box 5.2. Evaluations of Labour Market Training (cont.)

A couple of studies suggest that the efficiency of training could be increased by better targeting. Paul Lillrank Consulting Oy proposed to concentrate the procurement processes into one or a few regional units rendering the procedures more continuous and process-like, to include local enterprises more effectively in planning and assessing feedback, and to include trainers in planning the contents of training. The number of courses should be increased and their timing should be more flexible (see MEE, 2008, p. 129). Vainio *et al.* (2007) studied Labour Market Training in the construction, mechanical and metal engineering sectors, focusing on why a significant number of students who have completed this training do not find work although these fields need labour. It noted that the employment administration and various educational organisations only co-operate with a few large companies, and that students chosen for Labour Market Training have a lower basic level of training than in other fields of education and training. It recommended closer co-operation between companies, instructors and the employment administration; an increased emphasis on initial evaluation, so that only people likely to complete with a qualification are accepted for the training; and more flexibility and rapid training options to respond to the needs of different companies.

Another targeting issue is the timing of participation within the unemployment spell. Hämäläinen and Tuomala (2007) found that employment effects seem to be highest when training starts after an unemployment spell of three months for the 15-19 age group, and after six months for the 20-24 age group. Kauhanen *et al.* (2006) concluded that in regions with low unemployment, training should start later than in regions with high unemployment.

Source: As cited in the text.

370. International experience suggests that planning training measures more directly around the needs of local employers is particularly feasible in the context of labour shortages. In Austria, a new model has been set up by the creation of “implacement foundations” (*Implacement Stiftungen*) at regional level which are co-operating with the PES (in analogy to the well-known outplacement foundations, the *Arbeitsstiftungen*, set up in the context of industrial restructuring). The key stakeholders at regional level are generally involved. The objective is to train unemployed people for sectors in which companies have declared skills shortages (*e.g.* in the area of nursing). Different implacement foundations may be set up for specific target groups (*e.g.* older workers). The jobseekers get training for three to six months, in the company involved, in order to adapt their skills to its needs. About 95% of thus-qualified jobseekers enter a permanent job (Wagner and Lassnig, 2005).

Apprenticeship training

371. Dual vocational training only plays a minor role in the Finnish vocational education and training system. In contrast to countries with a traditional dual system, dual vocational training in Finland is targeted not only on young people but also on adults. It can be used both in the context of initial vocational training and of further training. The company is compensated by the organiser of the training²²⁶ to cover the estimated costs of providing workplace training. An employer who hires an unemployed jobseeker on an apprenticeship agreement can also receive a discretionary pay subsidy from the Labour Administration.

372. In 2007, on average 19 700 students (about 55% more than in 2004 and 2005) took part in basic vocational education, and about 24 500 students took part in further training, through the

226. The institution organising the training can be a municipality, federation of municipalities, registered foundation or association.

apprenticeship scheme (MEE, 2008; and MoL, 2005a).²²⁷ Only 28% of students were aged less than 25 years. Nearly 90% of further vocational training aimed at obtaining a qualification. Only about 4 000 apprentices, about 7% of the total, were participating in the apprenticeship scheme as an active labour market policy measure. As shown in Annex Table 5A.2, the number of apprentices in this category fell sharply from 1998 to 2001,²²⁸ and showed some ups and downs since then, increasing markedly in 2007.

373. Rates of employment three months after the end of participation in apprenticeship schemes and start-up grants are around 70% (MoL, 2007a, referring to Aho and Koponen, 2007). This is probably because employers often continue the relationship after the apprenticeship period and because, with the low scale of the scheme, employers can be selective if necessary. Nevertheless, international experience indicates that apprenticeship training can play an important role in the integration of disadvantaged young people into the labour market (Vogler-Ludwig *et al.*, 2003), and indicates that workplace-based measures are relatively effective: so participation in apprenticeships as an active labour market policy measure should be expanded as much as possible.

On-the-job training and work-life training

374. A pay subsidy financed by the budget for employment and training measures can be granted for On-the-job training. As mentioned above, the pay-subsidy scheme can also support training through a supplement to the basic amount when a company undertakes to use the subsidy for improving the skills of a participant for whom an assessment of deficiencies has been made. In 2007, about 50 600 people entered *On-the-job training* and *Preparatory training for working life* on Labour Market Support. Another 6 500 entered preparatory training for working life on an employment subsidy (MEE, 2008), which perhaps refers to recipients on an Allowance.

375. Since 2001, the number of people who terminated On-the-job training has increased substantially (+51%). But only 15% of them were employed after three months. About 31% were unemployed and 35% started another measure (MEE, 2008). Thus, On-the-job training, like Preparatory training for working life, most often leads to participation in another measure rather than directly to employment. However, the full assessment of the benefits of On-the-job training would need much longer evaluation periods.

376. Although LMS recipients participate in regular Labour Market Training as often as recipients of Earnings-related Allowance, a further 13.5% of LMS recipients participated in these other training-related measures (see Table 5.3, where these measures are called *Trainee work/coaching for working life*). Thus, their rate of participation in more-broadly-defined training at 23% was much higher than that of Earnings-related Allowance recipients. However, youths aged under 25 are systematically required to participate in measures after a relatively short time on LMS. Table 5.3, Panel B shows rates of participation separately for youth and adults. The participation rate for adults was only 1% in 1998, illustrating the near-complete absence of activation measures for adults on LMS at that time. Since then, although the adult rate has greatly increased, in 2007 it was still five to six times lower than the rate for youth.

227. MEE (2008) also states that apprenticeship training for entrepreneurs was attended in 2006 by an average of 4 000 students, and cites a total of approximately 54 500 students in apprenticeship training in 2006.

228. The 1998 figure might be overstated since this was the first year of their Eurostat data collection: it implies a level of expenditure per participant much lower than in later years.

Table 5.3. Rates of participation in active programmes by LMS recipients, 2003 and 2007

| A. Participation of LMS recipients in active measures in 2003 and 2007 | | | | | | | | | |
|---|----------------------------|------------|--------------|---------------------------------------|--------------------|----------|--|----------|----------|
| | 2007 | | | 2003 | | | | | |
| | Total participants | Median age | Total days | Participation rate | Participation rate | | | | |
| | Number | Years | 000s | % | % | | | | |
| 2007 | | | | | | | | | |
| Labour market training | 36 459 | 34 | 2 578 | 9.3 | 7.8 | | | | |
| Vocational guidance, rehabilitation | 3 970 | 35 | 199 | 0.7 | 0.5 | | | | |
| Trainee work/coaching for working life | 48 362 | 31 | 3 457 | 12.4 | 7.5 | | | | |
| <i>Of which:</i> | | | | | | | | | |
| On-the-job training | 13 907 | 20 | 858 | 3.1 | 3.4 | | | | |
| Preparatory training for working life | 26 630 | 33 | 1 741 | 6.3 | 3.3 | | | | |
| Rehabilitative work activity | 7 825 | 45 | 858 | 3.1 | 0.8 | | | | |
| Travel allowance | 1 834 | 26 | 112 | 0.4 | 0.1 | | | | |
| Total | 80 330 | 31 | 6 346 | 22.8 | 15.9 | | | | |
| LMS recipients (except LMS with wage subsidy), Total | | | 27 855 | 100.0 | 100.0 | | | | |
| B. Participants numbers in Trainee work/coaching for working life with LMS (Eurostat measure FI-15) ^a by age | | | | | | | | | |
| | LMS recipients at year-end | | | Participants (stock) in measure FI-15 | | | Rate of participation in measure FI-15 | | |
| | Total | Aged <25 | Aged 25+ | Total | Aged <25 | Aged 25+ | Total | Aged <25 | Aged 25+ |
| | Number | | | Number | | | % | | |
| 1998 | 185 471 | 36 088 | 149 383 | 10 845 | 9 132 | 1 713 | 5.8 | 25.3 | 1.1 |
| 1999 | 172 520 | 31 841 | 140 679 | 10 733 | 8 719 | 2 014 | 6.2 | 27.4 | 1.4 |
| 2000 | 155 754 | 26 492 | 129 262 | 9 756 | 7 559 | 2 197 | 6.3 | 28.5 | 1.7 |
| 2001 | 155 202 | 25 136 | 130 066 | 8 942 | 6 736 | 2 206 | 5.8 | 26.8 | 1.7 |
| 2002 | 151 248 | 25 027 | 126 221 | 9 437 | 6 591 | 2 846 | 6.2 | 26.3 | 2.3 |
| 2003 | 145 631 | 25 165 | 120 466 | 10 694 | 7 006 | 3 688 | 7.3 | 27.8 | 3.1 |
| 2004 | 142 592 | 25 086 | 117 506 | 11 458 | 7 116 | 4 342 | 8.0 | 28.4 | 3.7 |
| 2005 | 132 178 | 21 828 | 110 350 | 11 777 | 6 918 | 4 859 | 8.9 | 31.7 | 4.4 |
| 2006 | 114 981 | 17 933 | 97 048 | 12 088 | 6 413 | 5 675 | 10.5 | 35.8 | 5.8 |
| 2007 | 99 944 | 14 627 | 85 317 | 11 310 | 5 476 | 5 834 | 11.3 | 37.4 | 6.8 |

LMS: Labour Market Support.

a) Eurostat measure *FI-15 Trainee work/coaching for working life* with labour market support comprises the measures *On-the-job training*, *Preparatory training for working life* and *Rehabilitative work activity*.

Source: KELA and ISA (2008), *Statistical Yearbook on Unemployment Protection 2007*, Time-series Table 2, Table 2, Table 13 and Table 14; Eurostat, *Labour Market Policy – Expenditure and Participants*, various issues.

5.6. Measures for specific target groups

377. Most labour market programmes in Finland can be used for a range of target groups, although a distinction is often made by income support status and some programmes are targeted on those on LMS for more than 500 days. Nevertheless, a few sub-measures are tailored for other specific target groups, in particular disadvantaged young people, older workers and people with disabilities.

Young people

378. As noted in Chapter 3, since 2005 activation of the young unemployed has been reinforced through the implementation of the Social Guarantee. The objective of the Social Guarantee is to ensure that by 2008 at least 96% of those who complete basic education start upper secondary school or extended basic studies within the same year. In 2006, the PES offices agreed on measures for 21 600 young people within the first three months of unemployment, although this represented an implementation rate of only 70% because 30 700 young people exceeded the limit of three months unemployment (MoL, 2007a). Although it seems that the guarantee had positive effects on the situation of young people with relatively good employment prospects, it has been less successful in integrating young people encountering multiple problems and young people with an immigration background (MEE, 2008).

379. Young people are a target group for workshop activities (see Box 2.2 in Chapter 2 for a description of workshops). In 2006, 6 800 young people participated in these workshops. Nearly two-thirds of them had either only a comprehensive school-leaving certificate or had not completed comprehensive school. In 2005, 70% of young trainees continued at the workshop or entered education, work or some other labour market programme, and “young people who have attended workshops were well placed in education and working life” (MEE, 2008).

380. In contrast to the workshop activities described above, vocational Labour Market Training is not primarily used as a measure for disadvantaged youth, since more than half of the participants aged under 25 have completed secondary education. Hämäläinen and Tuomala (2007) suspect that the reason for this is that either even educated young people need additional training to find work or *de facto* the most motivated opt for or are selected for Labour Market Training. Evaluation studies (see Box 5.2) have found that job placement and Labour Market Training are both successful in promoting employment and also in increasing the earnings of participants.

381. A special working group “Young men to working life – Services and measures in Employment and Economic Development Offices” was set up at the beginning of 2009 tackle the rapidly increasing unemployment of young men. The working group proposes an increase in resources, an expansion of action-oriented training, a reduction in the time of entry to the Social Guarantee from three months to two weeks and the involvement of employers in its implementation.

Older workers

382. Older unemployed workers are in some cases eligible for the hiring subsidies discussed above on the basis of their age.²²⁹ In January 2006, a general subsidy for the employment of older workers in low-paid jobs was introduced. The employer is entitled to the subsidy when employing a worker aged more than 54 on a full-time basis with a wage between EUR 900 and EUR 2 000 per month. All employers except the national government are eligible. In contrast to some other subsidies, the scheme operates by a simple reduction in the payroll tax which employers receive immediately when paying salaries to their older workers.^{230, 231}

383. Huttunen *et al.* (2009) estimate that the employers of about 60% of potentially-eligible employees used the subsidy. In 2006, the number of employers users varied from approximately 6 000 to 9 000, at a cost of EUR 90 million, which implies that payroll tax was reduced for about

229. See the discussion above on temporary employment in the municipal sector. An inventory of wage-subsidy schemes to hire or retain older workers (OECD, 2006, Table 5.2) lists Finland’s employment subsidy for private-sector and municipal hires of workers aged 55-59 who have recently become unemployed.

230. Austria, Italy, Japan, Korea, the Netherlands, Norway and Spain have also had schemes that subsidise hires or ongoing employment of older workers irrespective of their former unemployment status – although the scope of these schemes is often quite restricted in other respects (OECD, 2006, Table 5.2).

231. The payroll tax rate is at its minimum (5.2%) when the monthly wage equals EUR 1 400. When the wages are between EUR 1 400 and EUR 1 600, the firm gets the maximum subsidy of EUR 220. The subsidy is reduced when wages increase above EUR 1 600 so that the subsidy reaches zero when the monthly wage equals EUR 2 000. According to Statistics Finland, the average wage for full-time workers was around EUR 2 500 in 2006, which implies that the subsidy is targeted on workers well below the average wage, with the maximum subsidy paid to those whose wage is close to the minimum wage (Huttunen *et al.*, 2009).

70 000 employees (about one-sixth of all employees aged more than 54) on average.²³² However, using a modified differences-in-differences estimation strategy, Huttunen *et al.* (2009) conclude that the subsidy scheme was not effective in increasing the employment of eligible workers. It might have led to increased working hours in the industrial sector, by making some former part-time workers work full time.

384. Although the wage subsidy for older workers is a recent initiative, Finland introduced measures to enhance the employment rates of older workers earlier than most other European countries. Its communication and awareness-raising programmes promoting active ageing appear to have had an impact.²³³ From 1994 to 2007, for people aged 55-64, labour force participation rates increased by nearly 20 percentage points and employment rates by more than 20 percentage points, greater increases than in almost all other countries (OECD, 2009b). Most of this increase took place after 1998, when the large-scale National Programme on Ageing Workers was launched.

People with disabilities

385. In 2007, the average number of jobseekers regarded as disabled by the PES²³⁴ was 33 500 (15.4% of the monthly average total of unemployed jobseekers), and 96 000 unemployment spells of disabled jobseekers ended over the year (MEE, 2008). In addition, people with disabilities may be sent by the municipal welfare agencies to the LAFOS. However, the number of non-active disabled is much higher, and a strong orientation towards granting passive measures can be observed.

386. In 2007, 40% of the disabled jobseekers found a job in the open labour market and a further 14% were placed in a vocational rehabilitation measure. In recent years, disabled jobseekers have increasingly been offered places in the mainstream ALMPs. They are still under-represented in Labour Market Training as well as in subsidised employment (where they represent only about 10% and 7% of participants, respectively) (MEE, 2008). However, it should be mentioned that the monitoring of disability status in ALMPs is not always systematic, and in some cases people with disabilities are subsumed under the category of the long-term unemployed (MEE, 2008). OECD (2008e) recommended better monitoring and evaluation of programmes offered to the disabled by the PES, and in particular an evaluation of subsidised employment in order to better understand its low take-up by people with a disability.

387. However, the Labour Administration is only one of several service providers for people with a disability. Vocational rehabilitation measures and rehabilitation allowances for people who are not on an unemployment benefit are organised and financed by the accident and traffic insurance institutions, KELA, and authorised providers in the employment pension scheme. The rehabilitation activities of these authorised providers have increased significantly in recent years, and are now similar in volume to the rehabilitation activities of KELA (see Tables 5A.1 and 5A.2). They finance vocational rehabilitation for people who have participated on a regular basis in working life, more specifically in 2007 those who had earned at least EUR 27 647 in total over the preceding five years (MSAH, 2008).

232. Huttunen *et al.* (2009) report that the mean subsidy for those who received any subsidy was about 100 EUR per month.

233. Lindley *et al.* (2006), and MSAH (2003).

234. MEE (2008) does not state the operational definition of “disabled jobseeker”. pre20031103.stm.fi/english/tao/publicat/trendss/2social.htm states that “The employment offices usually verify disability on the basis of a medical certificate”, which suggests that the “disabled jobseeker” category may include some people on a disability benefit but also some with a partial disability that does not qualify them for a disability benefit.

388. Strategies to reduce the number of disability benefit recipients focus on vocational training. Vocational rehabilitation for this target group encompasses a wide range of possible measures: work and training try-outs; coaching for work and introductory visits; rehabilitation and medical examinations and expert consultations as a basis for drawing-up vocational rehabilitation plans; and a subsidy for adaptation of the working environment, which can be granted if the employer needs to adapt work equipment, methods or work conditions to the disability or illness of the jobseeker.

389. Employment in sheltered enterprises is mainly provided by municipal services under the Social Welfare Act. As compared to other Nordic countries, the percentage of the working-age population involved in job-creation schemes targeted on the partly-incapacitated workers used to be low (0.1% in Finland, compared with 1.4% in Sweden, 1.1% in Denmark and 0.7% in Norway). One explanation for this difference is that in Finland partially-incapacitated workers are more likely to take part in mainstream labour market programmes (Hytti, 2008). The reformed employment subsidy system is partly targeted on the disabled in the sense that, as mentioned in Section 5.2, for them a new subsidy period can be granted immediately if conditions have not changed. The disabled are also one of the main target groups for social enterprises, introduced in 2004 (see Box 5.1).

ANNEX 5A

Supplementary tables

390. Readers should note that, when total annual expenditure is divided by the average stock of participants, the result represents the average cost of the programme per participant-year, not cost per participant. For example, a six-month training course with 100 places that are filled all year has total participant entrants and exits of 200 per year, but an annual average stock of 100 participants. If the programme costs EUR 500 000 per year, its cost is EUR 5 000 per participant-year. This is the type of data shown in Table 5A.3. The average cost of the six-month course experienced by each individual participant, by contrast, is EUR 2 500.

391. It needs further to be stressed that expenditure data provided to Eurostat do not correspond to expenditure data published by the former Ministry of Labour or the Ministry of Employment and the Economy. This is linked to the fact that different cost elements are added up. As regards training expenditures, in its publication on the development of vocational services, MoL (2006b) shows a lower volume of expenditure for Labour Market Training in each year between 2000 and 2005 as compared with the *OECD/Eurostat Labour Market Programme database*. In 2005, these expenditures amounted to EUR 376 million in MoL (2006b), and to EUR 441 million in the LMP database. In the LMP data base, “appropriations”, student selection costs, training-related information, educational benefits, training subsidies, upkeep and accommodation-related compensation, as well as LMS expenditure, are summed up. The Ministry of Labour figures may be lower because they relate to nationally-financed expenditure (not including ESF-financed measures), or do not include income support in cases where participants stay on LMS during programme participation.

Table 5A.1. Public expenditure for labour market programmes, 1998-2007

Millions of euros (EUR)

| Category | Measure | Programme name | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---------------|--|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 1. | PES and administration | | 175.9 | 182.9 | 188.0 | 205.4 | 211.9 | 234.3 | 273.1 | 275.8 | 280.4 | 288.0 |
| 1.1 | 5 | Mobility allowance | 1.7 | 1.8 | 2.0 | 2.0 | 2.0 | 1.8 | 3.3 | 3.6 | 3.6 | 8.2 |
| 1.1 | 20 | Vocational guidance | 10.6 | 11.4 | 10.5 | 11.7 | 11.3 | 11.3 | 15.8 | 16.2 | 17.0 | 17.0 |
| 1.1 | 21 | Training and vocational information services | 7.1 | 7.4 | 7.1 | 7.1 | 7.1 | 9.0 | 9.4 | 8.1 | 7.6 | 6.8 |
| 1.1 | 22 | Vocational rehabilitation | 8.8 | 9.5 | 9.4 | 9.1 | 5.9 | 6.7 | 12.3 | 12.6 | 14.3 | 16.0 |
| 1.1 | 46 | Registration of jobseekers | 10.2 | 9.0 | 9.4 | 10.7 | 10.5 | 16.7 | 32.9 | 30.3 | 28.6 | 28.6 |
| 1.1 | 47 | Interviews and individual action plans | 0.0 | 16.2 | 16.8 | 19.1 | 19.5 | 21.8 | 29.4 | 34.2 | 38.5 | 40.2 |
| 1.1 | 48 | Integration | 0.0 | 2.5 | 2.6 | 2.9 | 3.8 | 4.2 | 2.2 | 2.1 | 2.2 | 2.6 |
| 1.1 | 49 | Job-clubs | 7.6 | 7.6 | 6.8 | 8.5 | 8.4 | 9.7 | 9.9 | 10.0 | 10.6 | 10.1 |
| 1.1 | 56 | Labour exchange | 34.3 | 28.7 | 29.9 | 33.9 | 35.9 | 35.8 | 39.8 | 40.8 | 41.4 | 42.5 |
| 1.1 | Placement and related services | | 80.3 | 94.0 | 94.5 | 105.2 | 104.3 | 116.9 | 155.1 | 157.8 | 163.9 | 172.0 |
| 1.2 | 50 | Administration of active measures (PES) | 35.3 | 29.5 | 30.7 | 34.8 | 37.6 | 44.7 | 38.8 | 38.2 | 35.6 | 35.6 |
| 1.2 | 51 | Administration of benefits (PES) | 13.8 | 11.4 | 11.9 | 13.5 | 15.6 | 15.9 | 20.1 | 18.4 | 17.4 | 16.2 |
| 1.2 | 200 | Unemployment insurance independent fund - administration cost | 46.5 | 47.9 | 51.0 | 52.0 | 54.5 | 56.8 | 59.1 | 61.3 | 63.5 | 64.2 |
| 1.2 | Other | | 95.7 | 88.8 | 93.5 | 100.3 | 107.6 | 117.4 | 118.0 | 118.0 | 116.5 | 115.9 |
| 2 | Training | | 619.9 | 581.5 | 494.4 | 439.1 | 477.1 | 509.0 | 607.0 | 580.6 | 624.0 | 662.0 |
| 2.1 | 6 | Labour market training | 485.3 | 454.4 | 391.1 | 350.6 | 378.2 | 392.7 | 472.4 | 441.1 | 475.3 | 511.2 |
| 2.1 | 17 | Training allowance | 12.9 | 18.3 | 11.8 | 9.4 | 12.1 | 15.6 | 18.1 | 18.4 | 19.0 | 20.5 |
| 2.1 | 24 | The adult training supplement of the training and redundancy fund | 4.0 | 3.4 | 3.3 | 3.1 | 3.0 | 1.7 | 0.1 | 0.0 | 0.0 | 0.0 |
| 2.1 | Institutional training | | 502.1 | 476.2 | 406.2 | 363.1 | 393.3 | 410.0 | 490.6 | 459.5 | 494.3 | 531.7 |
| 2.2 | 12 | Employment subsidy for coaching for working life | 9.8 | 6.4 | 5.2 | 4.7 | 6.8 | 10.6 | 15.4 | 16.0 | 18.2 | 16.3 |
| 2.2 | 15 | Trainee work/coaching for working life with labour market support | 56.9 | 57.4 | 52.7 | 48.8 | 58.0 | 68.5 | 78.3 | 80.7 | 87.6 | 84.7 |
| 2.2 | Workplace training | | 66.7 | 63.8 | 57.9 | 53.5 | 64.7 | 79.1 | 93.7 | 96.7 | 105.8 | 101.0 |
| 2.4 | 7 | Apprenticeship for the unemployed | 51.0 | 41.5 | 30.3 | 22.4 | 19.1 | 19.9 | 22.6 | 24.4 | 23.9 | 29.3 |
| 3 | Job rotation and job sharing | | 71.4 | 75.9 | 71.4 | 79.6 | 70.5 | 88.5 | 75.8 | 74.4 | 86.6 | 98.7 |
| 3.1 | 16 | Job rotation | 35.8 | 43.8 | 50.8 | 63.0 | 55.9 | 74.3 | 64.3 | 64.8 | 77.5 | 91.2 |
| 3.2 | 13 | Part-time pay supplement | 35.7 | 32.1 | 20.6 | 16.6 | 14.6 | 14.2 | 11.5 | 9.7 | 9.0 | 7.5 |
| 4 | Employment incentives | | 72.0 | 126.6 | 152.4 | 154.8 | 152.0 | 186.0 | 186.3 | 174.1 | 159.7 | 148.6 |
| 4.1 | 10 | Employment subsidy, private companies | 39.3 | 27.9 | 22.5 | 21.0 | 19.6 | 19.6 | 21.8 | 21.2 | 117.4 | 147.2 |
| 4.1 | 35 | Combined subsidy | 32.7 | 98.6 | 129.9 | 133.8 | 132.4 | 166.4 | 164.5 | 152.9 | 42.3 | 1.4 |
| 5 | Supported employment and rehabilitation | | 91.9 | 96.9 | 104.6 | 123.5 | 137.4 | 144.0 | 149.2 | 152.6 | 159.7 | 159.9 |
| 5.1 | 34 | Employment supporting activity of the municipalities | 25.2 | 25.9 | 25.9 | 27.6 | 30.0 | 29.0 | 28.3 | 31.9 | 37.2 | 33.3 |
| 5.1 | Supported employment | | 25.2 | 25.9 | 25.9 | 27.6 | 30.0 | 29.0 | 28.3 | 31.9 | 37.2 | 33.3 |
| 5.2 | 25 | Rehabilitation activities of the social insurance institution | 43.5 | 44.4 | 47.0 | 48.5 | 52.3 | 53.6 | 54.1 | 52.8 | 49.6 | 47.9 |
| 5.2 | 26 | Rehabilitation activities of the employment pension scheme | 14.3 | 17.2 | 20.9 | 23.9 | 27.1 | 31.3 | 35.8 | 39.8 | 44.3 | 49.0 |
| 5.2 | 27 | Rehabilitation activities of the accident and traffic insurance | 8.9 | 9.3 | 10.8 | 23.5 | 28.0 | 30.2 | 31.0 | 28.0 | 28.5 | 29.8 |
| 5.2 | Rehabilitation | | 66.7 | 71.0 | 78.7 | 96.0 | 107.4 | 115.0 | 120.9 | 120.7 | 122.5 | 126.7 |
| 6 | Direct job creation | | 291.4 | 219.1 | 149.1 | 133.5 | 145.3 | 129.1 | 127.8 | 106.4 | 142.5 | 148.8 |
| 6 | 8 | Temporary government employment | 138.3 | 107.7 | 62.3 | 48.1 | 52.3 | 57.1 | 57.7 | 44.2 | 41.4 | 39.1 |
| 6 | 9 | Employment subsidy, municipalities | 153.2 | 111.4 | 86.8 | 85.3 | 87.2 | 60.0 | 54.0 | 43.0 | 74.7 | 76.5 |
| 6 | 36 | Rehabilitative work experience | 0.0 | 0.0 | 0.0 | 0.1 | 5.8 | 12.0 | 16.1 | 19.2 | 26.3 | 33.1 |
| 7 | Start-up incentives | | 19.5 | 17.3 | 15.2 | 14.0 | 14.7 | 16.1 | 22.3 | 29.9 | 30.9 | 33.2 |
| 7 | 11 | Start-up grant | 19.5 | 17.3 | 15.2 | 14.0 | 14.7 | 16.1 | 22.3 | 21.2 | 16.5 | 16.2 |
| 7 | 55 | Start-up grant for non-unemployed | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.7 | 14.4 | 16.9 |
| 8 | Out-of-work income maintenance and support | | 2496.9 | 2290.9 | 2133.3 | 2060.2 | 2168.9 | 2265.8 | 2372.6 | 2304.0 | 2148.0 | 1884.2 |
| 8.1 | 1 | Earnings-related unemployment allowance | 1444.6 | 1276.3 | 1186.2 | 1078.9 | 1125.1 | 1245.9 | 1348.6 | 1339.1 | 1259.0 | 1122.9 |
| 8.1 | 2 | Basic unemployment allowance | 90.8 | 76.5 | 73.0 | 76.5 | 87.4 | 99.7 | 110.7 | 106.7 | 97.4 | 84.4 |
| 8.1 | 4 | Labour market support (passive component) | 747.5 | 731.4 | 678.8 | 716.3 | 756.2 | 730.1 | 726.0 | 676.0 | 617.7 | 518.8 |
| 8.2 | 30 | Earnings related adjusted unemployment allowance as partial unemployment benefit | 4.0 | 3.5 | 2.8 | 2.6 | 3.8 | 4.0 | 3.7 | 3.0 | 2.4 | 1.9 |
| 8.2 | 32 | Adjusted basic unemployment allowance or labour market support as partial unemployment benefit | 0.1 | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 8.3 | 31 | Earnings related adjusted unemployment allowance as part-time unemployment benefit | 142.3 | 131.3 | 117.4 | 110.3 | 110.8 | 110.6 | 117.5 | 116.8 | 115.1 | 105.3 |
| 8.3 | 33 | Adjusted basic unemployment allowance or labour market support as part-time unemployment benefit | 47.4 | 46.2 | 44.3 | 44.7 | 49.6 | 49.1 | 49.0 | 45.2 | 42.9 | 38.4 |
| 8.4 | 23 | Redundancy payment | 12.6 | 14.0 | 14.5 | 11.2 | 14.1 | 6.9 | 0.1 | 0.0 | 0.0 | 0.0 |
| 8.5 | 28 | Pay security | 7.7 | 11.7 | 16.3 | 19.7 | 21.7 | 19.4 | 16.9 | 17.2 | 13.6 | 12.4 |
| 9 | Total | | 504.4 | 566.6 | 621.0 | 680.8 | 742.1 | 736.9 | 724.0 | 687.5 | 672.7 | 679.2 |
| 9.2 | 3 | Unemployment pension | 504.4 | 566.6 | 621.0 | 680.8 | 742.1 | 736.9 | 724.0 | 687.5 | 672.7 | 679.2 |
| Total 1-7 | Active programmes total | | 1342.1 | 1300.1 | 1175.0 | 1150.0 | 1208.9 | 1307.0 | 1441.5 | 1393.7 | 1483.6 | 1539.2 |
| Total 2-7 | Active programmes except PES | | 1166.2 | 1117.2 | 987.0 | 944.6 | 997.0 | 1072.8 | 1168.5 | 1117.9 | 1203.2 | 1251.2 |
| Total 8 and 9 | Passive programmes | | 3001.3 | 2857.6 | 2754.3 | 2741.0 | 2911.0 | 3002.7 | 3096.6 | 2991.5 | 2820.8 | 2563.3 |

.. Data not available.

- Measure ended or not started (expenditure and stocks are equal to 0).

Source: OECD/Eurostat Labour Market Programme database.

Table 5A.2. Stocks of participants in labour market programmes, 1998-2007

Units

| Category | Measure | Programme name | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|---------|--|-------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 1. PES and administration | | | Not calculated for Category 1 | | | | | | | | | |
| 2 Training | | | 72 707 | 60 264 | 49 452 | 41 819 | 42 238 | 47 416 | 49 762 | 48 798 | 48 932 | 50 244 |
| 2.1 | 6 | Labour market training | 41 444 | 37 681 | 30 900 | 26 103 | 26 346 | 29 896 | 30 701 | 29 217 | 29 399 | 30 693 |
| 2.1 | 17 | Training allowance | 1 271 | 1 810 | 1 237 | 954 | 1 192 | 1 500 | 1 661 | 1 647 | 1 671 | 1 764 |
| 2.1 | 24 | The adult training supplement of the training and redundancy fund | 1 743 | 1 604 | 1 486 | 1 246 | 1 249 | 647 | 70 | .. | .. | .. |
| 2.1 Institutional training | | | 44 458 | 41 095 | 33 623 | 28 303 | 28 787 | 32 043 | 32 432 | 30 864 | 31 070 | 32 457 |
| 2.2 | 12 | Employment subsidy for coaching for working life | 1 307 | 837 | 662 | 625 | 740 | 1 091 | 1 487 | 1 596 | 1 830 | 1 657 |
| 2.2 | 15 | Trainee work/coaching for working life with labour market support | 10 845 | 10 735 | 9 759 | 8 941 | 9 437 | 10 693 | 11 457 | 11 777 | 12 088 | 11 310 |
| 2.2 Workplace training | | | 12 152 | 11 572 | 10 421 | 9 566 | 10 177 | 11 784 | 12 944 | 13 373 | 13 918 | 12 967 |
| 2.4 | 7 | Apprenticeship for the unemployed | 17 016 | 8 434 | 6 154 | 4 579 | 3 901 | 3 927 | 4 422 | 4 561 | 3 944 | 4 820 |
| 2.A | 54 | Adjustment for double-counting, category 2 | -919 | -837 | -746 | -629 | -627 | -338 | -36 | 0 | 0 | 0 |
| 3 Job rotation and job sharing | | | 10 981 | 10 628 | 9 199 | 9 238 | 7 784 | 8 848 | 7 271 | 6 806 | 7 346 | 7 769 |
| 3.1 | 16 | Job rotation | 3 932 | 4 618 | 5 379 | 6 244 | 5 199 | 6 428 | 5 372 | 5 218 | 5 906 | 6 589 |
| 3.2 | 13 | Part-time pay supplement | 7 049 | 6 010 | 3 820 | 2 994 | 2 585 | 2 420 | 1 899 | 1 588 | 1 440 | 1 180 |
| 4 Employment incentives | | | 9 158 | 14 068 | 16 136 | 16 000 | 17 906 | 20 115 | 20 062 | 19 372 | 15 773 | 16 131 |
| 4.1 | 10 | Employment subsidy, private companies | 6 476 | 4 176 | 3 371 | 3 117 | 2 855 | 2 782 | 3 025 | 3 000 | 13 935 | 15 934 |
| 4.1 | 35 | Combined subsidy | 2 682 | 9 892 | 12 765 | 12 883 | 15 051 | 17 333 | 17 037 | 16 372 | 1 838 | 197 |
| 5 Supported employment and rehabilitation | | | 8 762 | 8 095 | 8 706 | 9 040 | 9 388 | 9 244 | 7 905 | 8 383 | 8 868 | 8 434 |
| 5.1 | 34 | Employment supporting activity of the municipalities | 2 700 | 2 570 | 2 570 | 2 740 | 2 837 | 2 744 | 2 681 | 3 019 | 3 521 | 3 148 |
| 5.1 Supported employment | | | 2 700 | 2 570 | 2 570 | 2 740 | 2 837 | 2 744 | 2 681 | 3 019 | 3 521 | 3 148 |
| 5.2 | 25 | Rehabilitation activities of the social insurance institution | 4 500 | 3 800 | 4 330 | 4 281 | 4 461 | 4 305 | 2 891 | 2 824 | 2 648 | 2 539 |
| 5.2 | 26 | Rehabilitation activities of the employment pension scheme | 1 012 | 1 175 | 1 156 | 1 279 | 1 460 | 1 595 | 1 783 | 1 940 | 2 099 | 2 147 |
| 5.2 | 27 | Rehabilitation activities of the accident and traffic insurance | 550 | 550 | 650 | 740 | 630 | 600 | 550 | 600 | 600 | 600 |
| 5.2 Rehabilitation | | | 6 062 | 5 525 | 6 136 | 6 300 | 6 551 | 6 500 | 5 224 | 5 364 | 5 347 | 5 286 |
| 6 Direct job creation | | | 26 340 | 20 064 | 14 474 | 12 606 | 11 974 | 11 523 | 10 920 | 9 572 | 13 464 | 13 755 |
| 6 | 8 | Temporary government employment | 7 533 | 5 855 | 3 164 | 2 362 | 2 515 | 2 645 | 2 543 | 2 014 | 1 929 | 1 771 |
| 6 | 9 | Employment subsidy, municipalities | 18 807 | 14 209 | 11 310 | 10 233 | 8 862 | 7 658 | 6 786 | 5 655 | 8 924 | 8 658 |
| 6 | 36 | Rehabilitative work experience | .. | .. | .. | 11 | 597 | 1 220 | 1 591 | 1 903 | 2 611 | 3 326 |
| 7 Start-up incentives | | | 2 479 | 2 155 | 1 897 | 1 732 | 1 817 | 1 954 | 2 643 | 3 765 | 4 241 | 4 520 |
| 7 | 11 | Start-up grant | 2 479 | 2 155 | 1 897 | 1 732 | 1 817 | 1 954 | 2 643 | 2 627 | 2 269 | 2 230 |
| 7 | 55 | Start-up grant for non-unemployed | .. | .. | .. | .. | .. | .. | .. | 1 138 | 1 972 | 2 290 |
| 8 Out-of-work income maintenance and support | | | 346 884 | 320 579 | 292 332 | 304 755 | 294 401 | 292 448 | 296 784 | 254 463 | 230 224 | 194 117 |
| 8.1 | 1 | Earnings-related unemployment allowance | 143 651 | 124 792 | 114 193 | 120 851 | 116 340 | 120 547 | 126 098 | 105 503 | 95 111 | 82 458 |
| 8.1 | 2 | Basic unemployment allowance | 16 486 | 13 744 | 12 862 | 12 993 | 14 073 | 15 815 | 17 496 | 16 466 | 15 163 | 12 673 |
| 8.1 | 4 | Labour market support (passive component) | 145 858 | 142 829 | 128 924 | 136 691 | 131 086 | 124 224 | 121 517 | 102 805 | 92 055 | 74 547 |
| 8.2 | 30 | Earnings related adjusted unemployment allowance as partial unemployment benefit | 864 | 751 | 593 | 510 | 647 | 673 | 623 | 485 | 381 | 291 |
| 8.2 | 32 | Adjusted basic unemployment allowance or labour market support as partial unemployment benefit | 26 | 23 | 16 | 17 | 12 | 8 | 6 | 3 | 2 | 0 |
| 8.3 | 31 | Earnings related adjusted unemployment allowance as part-time unemployment benefit | 24 930 | 23 671 | 21 643 | 19 913 | 18 721 | 17 923 | 18 214 | 17 452 | 16 543 | 14 940 |
| 8.3 | 33 | Adjusted basic unemployment allowance or labour market support as part-time unemployment benefit | 15 069 | 14 769 | 14 101 | 13 780 | 13 522 | 13 258 | 12 830 | 11 749 | 10 969 | 9 208 |
| 8.4 | 23 | Redundancy payment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | .. | .. | .. |
| 8.5 | 28 | Pay security | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9 Total | | | 44 946 | 48 014 | 50 900 | 52 715 | 54 668 | 52 992 | 50 694 | 47 603 | 45 764 | 45 671 |
| 9.2 | 3 | Unemployment pension | 44 946 | 48 014 | 50 900 | 52 715 | 54 668 | 52 992 | 50 694 | 47 603 | 45 764 | 45 671 |
| Total 1-7 Active programmes total | | | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Total 2-7 Active programmes except PES | | | 130 427 | 115 274 | 99 864 | 90 435 | 91 107 | 99 100 | 98 563 | 96 696 | 98 624 | 100 853 |
| Total 8 and 9 passive programmes | | | 391 830 | 368 593 | 343 232 | 357 470 | 349 069 | 345 440 | 347 478 | 302 066 | 275 988 | 239 788 |

Source: OECD/Eurostat Labour Market Programme database.

Table 5A.3. Expenditure per participant-year in labour market programmes, 1998-2007

Thousands of euros (EUR) per participant-year

| Category | Measure | Programme name | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---------|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1. PES and administration | | | 175.9 | 182.9 | 188.0 | 205.4 | 211.9 | 234.3 | 273.1 | 275.8 | 280.4 | 288.0 |
| 1.1 | 5 | Mobility allowance | 1.7 | 1.8 | 2.0 | 2.0 | 2.0 | 1.8 | 3.3 | 3.6 | 3.6 | 8.2 |
| 1.1 | 20 | Vocational guidance | 10.6 | 11.4 | 10.5 | 11.7 | 11.3 | 11.3 | 15.8 | 16.2 | 17.0 | 17.0 |
| 1.1 | 21 | Training and vocational information services | 7.1 | 7.4 | 7.1 | 7.1 | 7.1 | 9.0 | 9.4 | 8.1 | 7.6 | 6.8 |
| 1.1 | 22 | Vocational rehabilitation | 8.8 | 9.5 | 9.4 | 9.1 | 5.9 | 6.7 | 12.3 | 12.6 | 14.3 | 16.0 |
| 1.1 | 46 | Registration of jobseekers | 10.2 | 9.0 | 9.4 | 10.7 | 10.5 | 16.7 | 32.9 | 30.3 | 28.6 | 28.6 |
| 1.1 | 47 | Interviews and individual action plans | 0.0 | 16.2 | 16.8 | 19.1 | 19.5 | 21.8 | 29.4 | 34.2 | 38.5 | 40.2 |
| 1.1 | 48 | Integration | 0.0 | 2.5 | 2.6 | 2.9 | 3.8 | 4.2 | 2.2 | 2.1 | 2.2 | 2.6 |
| 1.1 | 49 | Job-clubs | 7.6 | 7.6 | 6.8 | 8.5 | 8.4 | 9.7 | 9.9 | 10.0 | 10.6 | 10.1 |
| 1.1 | 56 | Labour exchange | 34.3 | 28.7 | 29.9 | 33.9 | 35.9 | 35.8 | 39.8 | 40.8 | 41.4 | 42.5 |
| 1.1 Placement and related services | | | 80.3 | 94.0 | 94.5 | 105.2 | 104.3 | 116.9 | 155.1 | 157.8 | 163.9 | 172.0 |
| 1.2 | 50 | Administration of active measures (PES) | 35.3 | 29.5 | 30.7 | 34.8 | 37.6 | 44.7 | 38.8 | 38.2 | 35.6 | 35.6 |
| 1.2 | 51 | Administration of benefits (PES) | 13.8 | 11.4 | 11.9 | 13.5 | 15.6 | 15.9 | 20.1 | 18.4 | 17.4 | 16.2 |
| 1.2 | 200 | Unemployment insurance independent fund - administration cost | 46.5 | 47.9 | 51.0 | 52.0 | 54.5 | 56.8 | 59.1 | 61.3 | 63.5 | 64.2 |
| 1.2 Other | | | 95.7 | 88.8 | 93.5 | 100.3 | 107.6 | 117.4 | 118.0 | 118.0 | 116.5 | 115.9 |
| 2 Training | | | 619.9 | 581.5 | 494.4 | 439.1 | 477.1 | 509.0 | 607.0 | 580.6 | 624.0 | 662.0 |
| 2.1 | 6 | Labour market training | 11.7 | 12.1 | 12.7 | 13.4 | 14.4 | 13.1 | 15.4 | 15.1 | 16.2 | 16.7 |
| 2.1 | 17 | Training allowance | 10.1 | 10.1 | 9.6 | 9.8 | 10.1 | 10.4 | 10.9 | 11.2 | 11.4 | 11.6 |
| 2.1 | 24 | The adult training supplement of the training and redundancy fund | 2.3 | 2.1 | 2.2 | 2.5 | 2.4 | 2.6 | 1.4 | - | - | - |
| 2.1 Institutional training | | | 11.3 | 11.6 | 12.1 | 12.8 | 13.7 | 12.8 | 15.1 | 14.9 | 15.9 | 16.4 |
| 2.2 | 12 | Employment subsidy for coaching for working life | 7.5 | 7.7 | 7.8 | 7.6 | 9.1 | 9.7 | 10.3 | 10.0 | 9.9 | 9.8 |
| 2.2 | 15 | Trainee work/coaching for working life with labour market support | 5.2 | 5.3 | 5.4 | 5.5 | 6.1 | 6.4 | 6.8 | 6.9 | 7.2 | 7.5 |
| 2.2 Workplace training | | | 5.5 | 5.5 | 5.6 | 5.6 | 6.4 | 6.7 | 7.2 | 7.2 | 7.6 | 7.8 |
| 2.4 | 7 | Apprenticeship for the unemployed | 3.0 | 4.9 | 4.9 | 4.9 | 4.9 | 5.1 | 5.1 | 5.3 | 6.1 | 6.1 |
| 3 Job rotation and job sharing | | | 6.5 | 7.1 | 7.8 | 8.6 | 9.1 | 10.0 | 10.4 | 10.9 | 11.8 | 12.7 |
| 3.1 | 16 | Job rotation | 9.1 | 9.5 | 9.4 | 10.1 | 10.7 | 11.6 | 12.0 | 12.4 | 13.1 | 13.8 |
| 3.2 | 13 | Part-time pay supplement | 5.1 | 5.3 | 5.4 | 5.5 | 5.7 | 5.9 | 6.1 | 6.1 | 6.3 | 6.4 |
| 4 Employment incentives | | | 7.9 | 9.0 | 9.4 | 9.7 | 8.5 | 9.2 | 9.3 | 9.0 | 10.1 | 9.2 |
| 4.1 | 10 | Employment subsidy, private companies | 6.1 | 6.7 | 6.7 | 6.7 | 6.9 | 7.0 | 7.2 | 7.1 | 8.4 | 9.2 |
| 4.1 | 35 | Combined subsidy | 12.2 | 10.0 | 10.2 | 10.4 | 8.8 | 9.6 | 9.7 | 9.3 | 23.0 | 7.3 |
| 5 Supported employment and rehabilitation | | | 10.5 | 12.0 | 12.0 | 13.7 | 14.6 | 15.6 | 18.9 | 18.2 | 18.0 | 19.0 |
| 5.1 | 34 | Employment supporting activity of the municipalities | 9.3 | 10.1 | 10.1 | 10.1 | 10.6 | 10.6 | 10.6 | 10.6 | 10.6 | 10.6 |
| 5.1 Supported employment | | | 9.3 | 10.1 | 10.1 | 10.1 | 10.6 | 10.6 | 10.6 | 10.6 | 10.6 | 10.6 |
| 5.2 | 25 | Rehabilitation activities of the social insurance institution | 9.7 | 11.7 | 10.9 | 11.3 | 11.7 | 12.4 | 18.7 | 18.7 | 18.7 | 18.9 |
| 5.2 | 26 | Rehabilitation activities of the employment pension scheme | 14.1 | 14.7 | 18.1 | 18.7 | 18.6 | 19.6 | 20.1 | 20.5 | 21.1 | 22.8 |
| 5.2 | 27 | Rehabilitation activities of the accident and traffic insurance | 16.2 | 17.0 | 16.6 | 31.8 | 44.4 | 50.3 | 56.4 | 46.7 | 47.5 | 49.7 |
| 5.2 Rehabilitation | | | 11.0 | 12.8 | 12.8 | 15.2 | 16.4 | 17.7 | 23.1 | 22.5 | 22.9 | 24.0 |
| 6 Direct job creation | | | 11.1 | 10.9 | 10.3 | 10.6 | 12.1 | 11.2 | 11.7 | 11.1 | 10.6 | 10.8 |
| 6 | 8 | Temporary government employment | 18.4 | 18.4 | 19.7 | 20.4 | 20.8 | 21.6 | 22.7 | 21.9 | 21.5 | 22.1 |
| 6 | 9 | Employment subsidy, municipalities | 8.1 | 7.8 | 7.7 | 8.3 | 9.8 | 7.8 | 8.0 | 7.6 | 8.4 | 8.8 |
| 6 | 36 | Rehabilitative work experience | - | - | - | 11.3 | 9.7 | 9.8 | 10.1 | 10.1 | 10.1 | 10.0 |
| 7 Start-up incentives | | | 7.9 | 8.0 | 8.0 | 8.1 | 8.1 | 8.2 | 8.4 | 7.9 | 7.3 | 7.3 |
| 7 | 11 | Start-up grant | 7.9 | 8.0 | 8.0 | 8.1 | 8.1 | 8.2 | 8.4 | 8.1 | 7.3 | 7.3 |
| 7 | 55 | Start-up grant for non-unemployed | - | - | - | - | - | - | - | 7.7 | 7.3 | 7.4 |
| 8 Out-of-work income maintenance and support | | | 7.2 | 7.1 | 7.3 | 6.8 | 7.4 | 7.7 | 8.0 | 9.1 | 9.3 | 9.7 |
| 8.1 | 1 | Earnings-related unemployment allowance | 10.1 | 10.2 | 10.4 | 8.9 | 9.7 | 10.3 | 10.7 | 12.7 | 13.2 | 13.6 |
| 8.1 | 2 | Basic unemployment allowance | 5.5 | 5.6 | 5.7 | 5.9 | 6.2 | 6.3 | 6.3 | 6.5 | 6.4 | 6.7 |
| 8.1 | 4 | Labour market support (passive component) | 5.1 | 5.1 | 5.3 | 5.2 | 5.8 | 5.9 | 6.0 | 6.6 | 6.7 | 7.0 |
| 8.2 | 30 | Earnings related adjusted unemployment allowance as partial unemployment benefit | 4.6 | 4.6 | 4.7 | 5.0 | 5.9 | 6.0 | 6.0 | 6.1 | 6.4 | 6.6 |
| 8.2 | 32 | Adjusted basic unemployment allowance or labour market support as partial unemployment benefit | 2.9 | 3.0 | 2.8 | 3.2 | 3.1 | 2.9 | 2.5 | 3.1 | 4.3 | .. |
| 8.3 | 31 | Earnings related adjusted unemployment allowance as part-time unemployment benefit | 5.7 | 5.5 | 5.4 | 5.5 | 5.9 | 6.2 | 6.5 | 6.7 | 7.0 | 7.0 |
| 8.3 | 33 | Adjusted basic unemployment allowance or labour market support as part-time unemployment benefit | 3.1 | 3.1 | 3.1 | 3.2 | 3.7 | 3.7 | 3.8 | 3.9 | 3.9 | 4.2 |
| 8.4 | 23 | Redundancy payment | .. | .. | .. | .. | .. | .. | .. | - | - | - |
| 8.5 | 28 | Pay security | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| 9 Total | | | 11.2 | 11.8 | 12.2 | 12.9 | 13.6 | 13.9 | 14.3 | 14.4 | 14.7 | 14.9 |
| 9.2 | 3 | Unemployment pension | 11.2 | 11.8 | 12.2 | 12.9 | 13.6 | 13.9 | 14.3 | 14.4 | 14.7 | 14.9 |
| Total 1-7 Active programmes total | | | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Total 2-7 Active programmes except PES | | | 8.9 | 9.7 | 9.9 | 10.4 | 10.9 | 10.8 | 11.9 | 11.6 | 12.2 | 12.4 |
| Total 8 and 9 passive programmes | | | 7.7 | 7.8 | 8.0 | 7.7 | 8.3 | 8.7 | 8.9 | 9.9 | 10.2 | 10.7 |

Source: OECD/Eurostat Labour Market Programme database.

BIBLIOGRAPHY

- ADEM (2007), *Les activités de l'administration de l'emploi en 2006*, Ministère du Travail et de l'emploi, Luxembourg, www.adem.public.lu/publications/rapports/rapport_annuel_2006.pdf.
- Aetat (2005), *2004 Annual Report: More People in Work, Fewer on Welfare*, Oslo.
- Aho, S. (2007), "Basic income support and services for uninsured jobseekers: German and Finnish institutions and reforms compared", Statements and Comments from Finland for the Peer Review meeting "Implementing the news basic allowance for job seekers in Germany" held in Berlin on 17-18 April, www.mutual-learning-employment.net/Downloads/Germany2007/Finland_DE_07.pdf.
- Aho, S. and H. Koponen (2007), "Työvoimapolitiisiin toimenpiteisiin osallistuneiden seuranta II: Tutkimus rekisteriaineistosta vuosilta 2002 - 2005" (*Follow-up of active labour market policy programme participants II: A register data study on the years 2002 - 2005*), in Finnish, Työpoliittinen tutkimus (*Labour Policy Studies*), No. 324, Ministry of Labour, Helsinki, www.mol.fi/mol/fi/99_pdf/fi/06_tyoministerio/06_julkaisut/06_tutkimus/tpt324.pdf.
- Aho, S., I. Virjo and H. Koponen (2006), "Työnhakusuunnitelmien toteutumisen seuranta" (*Follow-up of realisation of jobseekers' individual action plans*), in Finnish, Työpoliittinen tutkimus (*Labour Policy Studies*), No. 319, Ministry of Labour, Helsinki, www.mol.fi/mol/fi/99_pdf/fi/06_tyoministerio/06_julkaisut/06_tutkimus/tpt319.pdf.
- Ala-Kauhala, M., E. Keskitalo, T. Lindqvist and A. Parpo (2004), "Työttömien aktivointi. Kuntouttava työtoiminta-lain sisältö ja vaikuttavuus", STAKES Tutkimuksia (*Research Reports*), No. 141.
- Appelqvist, J. (2007), "Wage and Earnings Losses of Displaced Workers in Finland", VATT Discussion Papers, No. 422, VATT (*Government Institute for Economic Research*), Helsinki, May, www.vatt.fi/file/vatt_publication_pdf/k422.pdf.
- Arnkil, R. (2008), "Finnish Network Model: Finnish Public Employment Service Reform", Paper from Work Research Centre, Tampere University, www.arnkildialogues.com/Finnish.doc.
- Arnkil, R., E. Jokinen, S. Aho, T. Spangar, H. Syrjä and J. Karjalainen (2007), "Muutosturva uudenlaisen yhteistyön airuena" (*Change security as a herald for a new kind of co-operation*), in Finnish, Työpoliittinen tutkimus (*Labour Policy Studies*), No. 331, Ministry of Labour, Helsinki, www.mol.fi/mol/fi/99_pdf/fi/06_tyoministerio/06_julkaisut/06_tutkimus/tpt331.pdf.
- Arnkil, R., V. Karjalainen, P. Saikku, T. Spangar and S. Pitkänen (2008), "Towards Working-life Oriented Services – Evaluation on the Finnish Public Employment Service Reform", No. 18/2008, Ministry of Employment and the Economy, Employment and Entrepreneurship, in Työpoliittinen Aikakauskirja *Recent Employment and Entrepreneurship Studies*, Vol. 3/2008, pp. 116-117, www.tem.fi/files/20247/recentstudies.pdf.
- Arnkil, R. and T. Spangar (2001), "Comparing Recent Danish, Finnish and Swedish Labour Market Policy Reforms", First report of the "Benchmarking Employment Offices – Nordic and Other European Comparisons" – project co-financed by the Nordic Council, WZB Discussion Papers, No. FS I 01 – 204, Wissenschaftszentrum Berlin für Sozialforschung, Berlin, June, bibliothek.wzb.eu/pdf/2001/i01-204.pdf.

Arter, D. (1999), *Scandinavian Politics Today*, Manchester University Press, January.

Avikainen, A (2008), “PES Reform in Finland 2004-2007: Labour Force Service Centres”, Presentation to the MISEP meeting, Paris, 3-4 November, www.eu-employment-observatory.net/resources/meetings/AhtiAvikainen-MISEPFinland.ppt.

Carcillo, S. and D. Grubb (2006), “From Inactivity to Work: The Role of Active Labour Market Policies”, OECD Social, Employment and Migration Working Papers, No. 36, OECD Publishing, Paris, June, www.oecd.org/els/workingpapers.

City of Helsinki (2007a), *Facts about Helsinki 2007*, www.hel2.fi/tietokeskus/julkaisut/pdf/tt_07_eng_net.pdf.

City of Helsinki (2007b), *Statistical Yearbook of the City of Helsinki 2007*, www.hel2.fi/tietokeskus/julkaisut/pdf/08_04_04_askelo_statistical_yerbook.pdf.

Defourny, J. and M. Nyssens (eds.) (2008), “Social Enterprise in Europe: Recent Trends and Developments”, Working Papers, No. 08/01, EMES European Research Network, Liege, www.emes.net/fileadmin/emes/PDF_files/News/2008/WP_08_01_SE_WEB.pdf.

Duell, N., S. Singh and P. Tergeist (2009), “Activation Policies in Norway”, OECD Social, Employment and Migration Working Papers, No. 78, OECD Publishing, Paris, March, www.oecd.org/els/workingpapers.

EFILWC – European Foundation for the Improvement of Living and Working Conditions (2007), *Industrial relations in EU Member States 2000-2004*, Dublin, www.eurofound.europa.eu/pubdocs/2007/15/en/1/ef0715en.pdf.

EIRO – European Industrial Relations Observatory (2007), *Finland: Industrial relations profile*, www.eurofound.europa.eu/eiro/country/finland.pdf.

Engström, P., P. Hesselius and B. Holmlund (2009), “Vacancy Referrals, Job Search, and the Duration of Unemployment: A Randomized Experiment”, CESifo Working Papers, No. 2552, February, www.cesifo-group.de/pls/guestci/download/CESifo%20Working%20Papers%202009/CESifo%20Working%20Papers%20February%202009/cesifo1_wp2552.pdf.

Eriksson, T., R. Lilja and H. Torp (2002), “Determinants of Job Search Intensity – Some Evidence from the Nordic Countries”, Discussion Papers, No. 185, Labour Institute for Economic Research, Helsinki, www.labour.fi/tutkimusjulkaisut/tyopaperit/sel185.pdf.

ETK and KELA – (Finnish Centre for Pensions and Social Insurance Institution) (2003), *Statistical Yearbook of Pensioners in Finland 2002*, ETK and KELA, Helsinki, December, www.etk.fi/Page.aspx?Section=42909&Item=22145.

Eurobarometer (2006), *Europeans and Mobility: first results of an EU-wide survey*, European Communities Publication Office, February.

Eurostat (2008), *Labour Market Policy – Expenditure and Participants: Data 2006*, Office for Official Publications of the European Communities, Luxembourg, July.

- Eurostat (2009a), *Labour Market Policy Statistics: Finland 2001*, Eurostat, Luxembourg, 04 September, circa.europa.eu/Public/irc/dsis/labour/library?l=/publications/qualitative_descriptions/qualitative_2001/qualitative_fi-2001/_EN_1.0_&a=d.
- Eurostat (2009b), *Labour Market Policy Statistics: Finland 2006*, Eurostat, Luxembourg, 04 September, circa.europa.eu/Public/irc/dsis/labour/library?l=/publications/qualitative_descriptions/qualitative_2006/qualitative_fi-2006/_EN_1.0_&a=d.
- Gagel, S. (2008), “Nearly 2% of EU-27 GDP spent on labour market policies in 2006”, *Statistics in Focus*, No. 94/2008, Eurostat, European Commission, Luxembourg, October, epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-08-094/EN/KS-SF-08-094-EN.PDF.
- Genova, A. (2008), *Integrated Services in Activation Policies in Finland and Italy: A Critical Appraisal, Social Policy and Society*, Vol. 7, No. 3, Cambridge University Press, United Kingdom, July, pp. 379-392.
- Giguère, S. and F. Froy (eds.) (2009), *Flexible Policy for More and Better Jobs*, OECD Publishing, Paris, May.
- Gorodnichenko, Y., E.G. Mendoza and L.L. Tesar (2009), “The Finnish Great Depression: from Russia with Love”, NBER Working Papers, No. 14874, National Bureau of Economic Research, Cambridge, Massachusetts, April, www.nber.org/papers/w14874.pdf.
- Government of Finland (2008), “Third Report on the implementation of the Revised European Social Charter”, Council of Europe, RAP/RCha/FI/III(2008), 11 February, www.coe.int/t/dghl/monitoring/socialcharter/Reporting/StateReports/Finland3_fr.pdf.
- Government of Finland (2009), “Fourth National Report on the implementation of the European Social Charter (revised)”, Council of Europe, RAP/RCha/FI/IV(2009), 2 February, www.coe.int/t/dghl/monitoring/socialcharter/Reporting/StateReports/Finland4_en.pdf.
- Gray, D. (2003), “National versus Regional Financing and Management of Unemployment and Related Benefits”, OECD Social, Employment and Migration Working Papers, No. 14, OECD Publishing, Paris, September, www.oecd.org/els/workingpapers.
- Grubb, D. (2007), “Audit du service public de l’emploi au Luxembourg”, OECD Social, Employment and Migration Working Papers, No. 59, OECD Publishing, Paris, October, www.oecd.org/els/workingpapers.
- Grubb, D., S. Singh and P. Tergeist (2009), “Activation Policies in Ireland”, OECD Social, Employment and Migration Working Papers, No. 75, OECD Publishing, Paris, January, www.oecd.org/els/workingpapers.
- Hämäläinen, K. and V. Ollikainen (2004), “Differential Effects of Active Labour Market Programmes in the Early Stages of Young People’s Unemployment”, VATT Research Reports, No. 115, VATT (*Government Institute for Economic Research*), Helsinki, 31 December, www.vatt.fi/file/vatt_publication_pdf/t115.pdf.
- Hämäläinen, K. and J. Tuomala (2007), “Vocational Labour Market Training in Promoting Youth Employment”, VATT Discussion Papers, No. 432, VATT (*Government Institute for Economic Research*), Helsinki, November, www.vatt.fi/file/vatt_publication_pdf/k432.pdf.

- Hanesch, W. and N. Balzter (2001), “Activation Policies in the Context of Social Assistance, Report 4: The role of Social Assistance as a Means of Social Inclusion and Activation – A Comparative Study of Minimum Income in Seven European countries”, STAKES (National Research and Development Centre for Welfare and Health), Helsinki.
- Hasselpflug, S. (2005), “Availability Criteria in 25 Countries”, Working Papers, No. 12/2005, Ministry of Finance, Copenhagen, June, uk.fm.dk/Publications/Working%20Papers/2005/~media/Files/Arbejdsrapporter/arbap1205.ashx.
- Hedman, R., N. Jussila and P. Ormo (2003), *Työttömyyskassat 2002: talouden tilasto*, in Finnish, Vakuutusvalvontavirasto (*Insurance Supervisory Authority – ISA*), Helsinki.
- Heikkilä, M. and E. Keskitalo (2002), “Integrated approaches to active welfare and employment policies: Finland”, European Foundation for the Improvement of Living and Working Conditions, Dublin, www.eurofound.europa.eu/publications/htmlfiles/ef0265.htm.
- Heikkilä, M. and T. Rintala (2006), “Rescaling Social Welfare Policies in Finland: National Report”, Paper prepared for a project of the European Centre for Social Welfare Policy and Research Helsinki, January, www.euro.centre.org/rescalingDocuments/files/Finland.pdf.
- Hietala, K. and M. Hietala (2004), “Kilpailua vääristävä vaikutus yrityksille suunnatussa yhdistelmätuessa ja työelämävalmennuksessa” (*Competition-distorting effect in combined subsidy and training for working life*), in Finnish, Työpoliittinen tutkimus (*Labour Policy Studies*), No. 262, Ministry of Labour, Helsinki, November, www.mol.fi/mol/fi/06_tyoministerio/06_julkaisut/01_tutkimukset/tiivistelmat/tpt262tiivistelma.jsp.
- Honkapohja, S., E.A. Koskela, W. Leibfritz and R. Uusitalo (2009), *Economic Prosperity Recaptured. The Finnish Path from Crisis to Rapid Growth*, CESifo Book Series, MIT Press, May.
- Hummeluhr, N. (1997), “Youth Guarantees in The Nordic Countries”, Background Paper commissioned by the OECD Secretariat for the Thematic Review on the Transition from Initial Education to Working Life, Denmark, November, www.oecd.org/dataoecd/40/35/1925599.pdf.
- Huovinen, P. and H. Piekkola (2001), “Unemployment and Early Retirements of the Aged Workers in Finland”, Study from two projects “Time-use of aged and early exit from workforce” from MoL and the Helsinki School of Economics and Business Administration and Statistics Finland joint project “Labour Demand and Wage Formation in SMEs and Clusters”, financed by the Ministry of Labour and the Academy of Finland, www.cepii.fr/anglaisgraph/communications/pdf/2001/enepri07080901/huovi-piekkola.pdf.
- Huttunen, K., J. Pirttilä and R. Uusitalo (2009), “The Employment Effects of Low-Wage Subsidies”, Working Papers, No. 254, Labour Institute for Economic Research, www.labour.fi/tutkimusjulkaisut/tyopaperit/sel254.pdf.
- Hytti, H. (2002), “Early Exit from the Labour Market through the Unemployment Pathway in Finland”, Working Papers, No. 2, Central Pension Security Institute, Helsinki www.etk.fi/Page.aspx?Section=42909&Item=15905.
- Hytti, H. (2008), “Disability Policies and Employment – Finland Compared with other Nordic Countries”, Working Papers, No. 62/ 2008, KELA Research Department, Helsinki, [www.kela.fi/in/internet/liite.nsf/NET/050608123720PN/\\$File/Selosteita62.pdf?openElement](http://www.kela.fi/in/internet/liite.nsf/NET/050608123720PN/$File/Selosteita62.pdf?openElement).

- ISA – Insurance Supervisory Authority (2004), *2003 Annual Report*, ISA, Helsinki,
www.finanssivalvonta.fi/en/Publications/Annual_reports/Archives/Documents/ENTIEJULVUO2003.pdf.
- Jang, S. (2007), “The Unification of the Social Insurance Contribution Collection System in Korea”, OECD Social, Employment and Migration Working Papers, No. 55, OECD Publishing, Paris, August, www.oecd.org/els/workingpapers.
- Kangasharju, A. (2007), “Do Wage Subsidies Increase Employment in Subsidized Firms?”, *Economica*, Vol. 74, No. 293, pp. 51-67, February, www3.interscience.wiley.com/cgi-bin/fulltext/118509466/PDFSTART.
- Kangasharju, A. and T. Venetoklis (2003), “Do Wage-Subsidies Increase Employment in Firms?”, VATT Discussion Papers, No. 304, VATT (*Government Institute for Economic Research*), Helsinki, May, www.vatt.fi/file/vatt_publication_pdf/k304.pdf.
- Karjalainen, J., A. Andersen, I. Kuosa and P. Pättiniemi (2006), “Sosiaalisten yritysten lain toimivuus ja toimeenpano” (*The implementation and effectiveness of the Act on Social Enterprises*), in Finnish, Työpoliittinen Tutkimus (*Labour Policy Studies*), No. 307, Ministry of Labour, Helsinki, www.mol.fi/mol/fi/99_pdf/fi/06_tyoministerio/06_julkaisut/06_tutkimus/tpt307.pdf.
- Kauhanen, M., R. Lilja, and E. Savaja (2006), “Työvoimapolitiittisen koulutuksen vaikuttavuus kysynnän näkökulmasta” (*Effectiveness of Labour Market Training from the viewpoint of labour demand*), in Finnish, Työpoliittinen Tutkimus (*Labour Policy Studies*), No. 313, Ministry of Labour, Helsinki, [www.mol.fi/mol/fi/99_pdf/fi/06_tyoministerio/06_julkaisut/06_tutkimus/Tyoevoimapolitiittisen_koulutuksen_vaikuttavuus_kysynnaen_naekoekulmasta_\(pdf\).pdf](http://www.mol.fi/mol/fi/99_pdf/fi/06_tyoministerio/06_julkaisut/06_tutkimus/Tyoevoimapolitiittisen_koulutuksen_vaikuttavuus_kysynnaen_naekoekulmasta_(pdf).pdf).
- KELA – Social Insurance Institution (2008a), *Statistical Yearbook of the Social Insurance Institution 2007*, Helsinki, December, [www.kela.fi/it/kelasto/kelasto.nsf/alias/Yearbook_07_pdf/\\$File/Yearbook_07.pdf](http://www.kela.fi/it/kelasto/kelasto.nsf/alias/Yearbook_07_pdf/$File/Yearbook_07.pdf).
- KELA (2008b), *Annual Report 2007*, Helsinki, June, [www.kela.fi/in/internet/liite.nsf/NET/250808105209HS/\\$File/Eng_vuosikertomus.pdf?OpenElement](http://www.kela.fi/in/internet/liite.nsf/NET/250808105209HS/$File/Eng_vuosikertomus.pdf?OpenElement).
- KELA (2008c), “The Social Insurance Institution of Finland”, KELA, Helsinki, [www.kela.fi/in/internet/liite.nsf/NET/250808095953HS/\\$File/Kela_yleisesite_eng_net.pdf?openElement](http://www.kela.fi/in/internet/liite.nsf/NET/250808095953HS/$File/Kela_yleisesite_eng_net.pdf?openElement).
- KELA and ISA – Social Insurance Institution and Insurance Supervisory Authority (2005), *Statistical Yearbook on Unemployment Protection in Finland 2004*, Helsinki, September, [www.kela.fi/it/kelasto/kelasto.nsf/alias/Tt_04_pdf/\\$File/Tt_04.pdf](http://www.kela.fi/it/kelasto/kelasto.nsf/alias/Tt_04_pdf/$File/Tt_04.pdf).
- KELA and ISA (2006), *Statistical Yearbook on Unemployment Protection in Finland 2005*, Helsinki, September, [www.kela.fi/it/kelasto/kelasto.nsf/alias/Tt_05_pdf/\\$File/Tt_05.pdf](http://www.kela.fi/it/kelasto/kelasto.nsf/alias/Tt_05_pdf/$File/Tt_05.pdf).
- KELA and ISA (2008), *Statistical Yearbook on Unemployment Protection in Finland 2007*, Helsinki, September, [www.kela.fi/it/kelasto/kelasto.nsf/alias/Tt_07_pdf/\\$File/Tt_07.pdf](http://www.kela.fi/it/kelasto/kelasto.nsf/alias/Tt_07_pdf/$File/Tt_07.pdf).
- KELA and ISA (2009), *Statistical Yearbook on Unemployment Protection in Finland 2008*, Helsinki, September, [www.kela.fi/it/kelasto/kelasto.nsf/alias/Tt_08_pdf/\\$File/Tt_08.pdf](http://www.kela.fi/it/kelasto/kelasto.nsf/alias/Tt_08_pdf/$File/Tt_08.pdf).
- Keskitalo, E. (2005), “Activation through ALMP or Active Social Policy – Theory and Evidence”, Article 2 in H. Kauppi (2005), *General Framework for Long-Term Social Impact Evaluation of an Employment Strategy*, Final report, Ministry of Labour, Helsinki, November, www.mol.fi/mol/en/99_pdf/en/90_publications/longterm_social_impact2005.pdf.

- Kiander, J. (2004), "The Evolution of the Finnish Model in the 1990s: from Depression to High-Tech Boom", VATT Discussion Papers, No. 344, VATT (*Government Institute for Economic Research*), Helsinki, December, www.vatt.fi/file/vatt_publication_pdf/k344.pdf.
- Kiander, J., O. Kröger and A. Romppanen (eds.) (2006), *Finnish Economy – Structural Indicators 2006*, VATT (*Government Institute for Economic Research*), Helsinki, September, www.vatt.fi/file/vatt_publication_pdf/finnisheconomy2006.pdf.
- Kluve, J., D. Card, M. Fertig, M. Góra, L. Jacobi, P. Jensen, R. Leetmaa, L. Nima, E. Patacchini, S. Schaffner, C.M. Schmidt, B. van der Klaauw and A. Weber (2007), *Active Labor Market Policies in Europe: Performance and Perspectives*, Springer, 21 February.
- Koskela, E. and R. Uusitalo (2004), "Unintended convergence – how Finnish unemployment reached the European level", Bank of Finland Discussion Papers, No. 6/2004, Bank of Finland, Helsinki, 18 February, bof.fi/NR/rdonlyres/49615A64-AAD9-4097-AF93-E1A857F8D9FB/0/0406.pdf.
- Krueger, A. and A. Mueller (2008), "The Lot of the Unemployed: A Time Use Perspective", IZA Discussion Papers, No. 3490, Bonn, May, ftp.iza.org/dp3490.pdf.
- KUNNAT – Association of Finnish Regional and Local Authorities (2008), "Features of Public Administration in Finland", Local and Regional Government Finland, Helsinki, www.kunnat.net/attachment.asp?path=1;161;279;280;37566;143560.
- Kuusisto, A. (2004), "Redundancies put pressure on social partner relations", European Foundation for the Improvement of Living and Working Conditions, European Industrial Relations Observatory on-line (EIROnline), Dublin, November, www.eurofound.europa.eu/eiro/2004/11/feature/fi0411205f.htm.
- Kvist, J., L. Pedersen and P.A. Köhler (2008), "Making all Persons Work: Modern Danish Labour Market Policies", in W. Eichhorst, O. Kaufmann and R. Konle-Seidl (eds.), *Bringing the Jobless into work? – Experiences with Activation Schemes in Europe and the US*, Springer, pp. 221-256.
- Kyyrä, T. and V. Ollikainen (2008), "To Search or Not to Search? The effects of UI Benefit Extension for the Older Unemployed", *Journal of Public Economics*, Vol. 92, No. 10-11, October, pp. 2048-2070, www.sciencedirect.com/science?_ob=MIimg&_imagekey=B6V76-4S39MKN-1-F&_cdi=5834&_user=946274&_orig=browse&_coverDate=10%2F31%2F2008&_sk=999079989&view=c&wchp=dGLbVIW-zSkzV&md5=31bd6d733f95cab9c0cf24e1446560fc&ie=/sdarticle.pdf.
- Kyyrä, T. and R.A. Wilke (2006), "Reduction in the Long-Term Unemployment of the Elderly: A Success Story from Finland Revised", VATT Discussion Papers, No. 396, VATT (*Government Institute for Economic Research*), Helsinki, July, www.vatt.fi/file/vatt_publication_pdf/k396.pdf.
- Laaksonen, H. (2000), "Young Adults in Changing Welfare States. Prolonged Transitions and Delayed Entries for Under-30s in Finland, Sweden and Germany in the '90s", Working Papers, No. 12, Mannheimer Zentrum für Europäische Sozialforschung (*Mannheim Centre for European Social Research*), www.mzes.uni-mannheim.de/publications/wp/wp-12.pdf.
- Layard, P.R.G. (1986), *How to Beat Unemployment*, Oxford University Press, September.

- Lechner, M. and S. Wiehler (2007), “Does the Order and Timing of Active Labor Market Programs Matter?”, IZA Discussion Papers, No. 3092, Bonn, October, <ftp://repec.iza.org/RePEc/Discussionpaper/dp3092.pdf>.
- Lehto, A.-M., M. Lyly-Yrjänäinen and H. Sutela (2005), “Pysyvän työn toivossa. Määräaikaisten työsuhteiden käytöstä ja kokemisesta”, in Finnish, Työpoliittinen Tutkimus (*Labour Policy Studies*), No. 291, Ministry of Labour, Helsinki, www.mol.fi/mol/en/99_pdf/en/06_tyoministerio/06_julkaisut/06_tutkimus/tpt291.pdf.
- Lilja, R., T. Santamäki-Vuori and G. Standing (1990), *Unemployment and Labour Market Flexibility: Finland*, ILO, Geneva.
- Lindley, R.M., N. Duell, R. Arnkil, B. Baldauf, D. Bosworth, B. Casey and A. Gelderblom (2006), *Ageing and Employment: Identification of Good Practice to Increase Job Opportunities and Maintain Older Workers in Employment – Final Report*, prepared by the Warwick Institute for Employment Research, University of Warwick and Economix Research and Consulting on behalf of the European Commission – DG Employment and Social Affairs, March, www.diversityatwork.net/EN/Docs/Ageing%20and%20Employment.pdf.
- Martin, J.P. and D. Grubb (2001), “What Works and for Whom? A Review of OECD Countries’ Experiences with Active Labour Market Policies”, *Swedish Economic Policy Review*, Vol. 8, No. 2, pp. 9-56, Stockholm, www.regeringen.se/content/1/c6/09/52/63/e9a4be51.pdf.
- MEE – Ministry of Employment and the Economy (2008), *Employment Report 2007*, MEE – Employment and entrepreneurship, No. 17/2008, Ministry of Employment and the Economy, Helsinki, June, www.tem.fi/files/19650/TEM17_2008_aktiivinen_2.pdf.
- MEE (2009a), *Työpoliittinen aikakauskirja* (Finnish Labour Review), in Finnish, Vol. 2/2009, Ministry of Employment and the Economy, Helsinki, www.tem.fi/index.phtml?s=3369.
- MEE (2009b), *Työllisyyskertomus vuodelta 2008* (Employment Report 2008), in Finnish, Ministry of Employment and the Economy, Helsinki, March, www.tem.fi/files/22246/TEM18_09.pdf.
- MIFA – Ministère de la Famille et de l’intégration (2006), “Rapport d’activité 2006”, Luxembourg, Mars, www.mfi.public.lu/publications/rapports-activite/rapp_act_2006.pdf.
- MISEP – Mutual Information System on Employment Policies (2002), *Basic Information Report: FINLAND – Institutions, Procedures and Measures*, European Commission, May, www.eu-employment-observatory.net/resources/bir/bir_fi2002_en.pdf.
- MoL (2003a), “A Home in Finland: Information for Immigrants about Living, Studying and Social Security”, Ministry of Labour and KELA, Helsinki, [www.intermin.fi/intermin/images.nsf/files/32C10F6EF73CBB46C22573A2002B4A04/\\$file/kotis_uo_eng.pdf](http://www.intermin.fi/intermin/images.nsf/files/32C10F6EF73CBB46C22573A2002B4A04/$file/kotis_uo_eng.pdf).
- MoL (2003b), “Labour Policy Strategy for 2003 to 2007 to 2010”, Ministry of Labour, Helsinki, 23 October, www.mol.fi/mol/en/99_pdf/en/90_publications/labour_strategy2003_2010.pdf.
- MoL (2005a), *Employment Report 2004*, Ministry of Labour, www.mol.fi/mol/en/99_pdf/en/90_publications/employment_report_2004.pdf.

- MoL (2005b), “Activation of Labour Market Support – Social Guarantee for The Long-Term Unemployed”, Publication 347 of the Labour Administration, Government Policy Programmes – Employment, Ministry of Labour, Helsinki,
www.mol.fi/mol/en/99_pdf/en/90_publications/rep_sum_activationsupport04.pdf.
- MoL (2006a), “Government Migration Policy Programme – Government Resolution 19.10.2006”, Ministry of Labour, Helsinki
www.mol.fi/mol/en/99_pdf/en/90_publications/migration_programme2006.pdf.
- MoL (2006b), *An Overview of Vocational Development Services 2005*, Ministry of Labour, Helsinki,
www.mol.fi/mol/en/99_pdf/en/90_publications/amke2005english.pdf.
- MoL (2007a), *Employment Report 2006*, Ministry of Labour, Helsinki,
www.mol.fi/mol/en/99_pdf/en/90_publications/employment_report2006.pdf.
- MoL (2007b), “The Operational Model of Employment and Change Security in Finland”, Employment Office Finland, June,
www.afsz.hu/resource.aspx?resourceID=ma_kulf_rugalm_FinlandChangeSecurity.
- MoL (2007c), *Annual Report 2006*, Ministry of Labour, Helsinki,
www.mol.fi/mol/en/99_pdf/en/90_publications/annualreport2006.pdf.
- Mosley, H, H. Schütz and N. Breyer (2001), “Management by Objectives in European Public Employment Services”, WZB Discussion Papers, No. FS I 01 - 203, Wissenschaftszentrum Berlin für Sozialforschung, Berlin, May, bibliothek.wzb.eu/pdf/2001/i01-203.pdf.
- MSAH – Ministry of Social Affairs and Health (2002a), *The Many Faces of the National Programme on Ageing Workers: The Concluding Report on the Programme*, Vol. 2002:14, Ministry of Social Affairs and Health, Helsinki, February.
- MSAH (2002b), *Trends in Social Protection in Finland 2002*, Vol. 2002:16, MSAH, Helsinki.
- MSAH (2003), *The Veto Programme 2003-2007. National Action Programme on Extending Working Life, Well-Being at Work and Rehabilitation*, Stencils of the Ministry of Social Affairs and Health, Vol. 2003:18, Helsinki, September.
- MSAH (2005), *Finland’s National Pension Strategy Report 2005*, Working Group Memorandums, No. 2005:11 eng, Helsinki, July,
www.stm.fi/Resource.phx/publishing/store/2005/07/is1121411544723/passthru.pdf.
- MSAH (2006a), *National Reports on Strategies for Social Protection and Social Inclusion – Finland*, Reports of the Ministry of Social Affairs and Health, Vol. 2006:52, Helsinki, October,
www.stm.fi/c/document_library/get_file?folderId=28707&name=DLFE-3951.pdf&title=National_Report_on_Strategies_for_Social_Protection_and_Social_Inclusion__Finland_en.pdf.
- MSAH (2006b), *Longer Careers? The Veto Programme Indicators*, Report of the Ministry of Social Affairs and Health, Vol. 2006:41, Helsinki, May,
www.stm.fi/c/document_library/get_file?folderId=39503&name=DLFE-6844.pdf.

- MSAH (2008), “The OECD Thematic Review on Reforming Sickness and Disability Policies to Improve Work Incentives: Country Note – Finland”, 27 February Memorandum from the Ministry of Social Affairs and Health, www.oecd.org/dataoecd/35/9/41429840.pdf.
- Nätti, J., M. Manninen, M. Väisänen and T. Anttila (2005), “Vuorotellen virkeäksi. Vuorotteluvapaan seurantatutkimus” (*Taking Turns to Refresh. A Follow-Up Study of the Finnish Job Alternation Leave System*), in Finnish, Työpoliittinen tutkimus (*Labour Policy Studies*), No. 279, Ministry of Labour, Helsinki, www.mol.fi/mol/fi/99_pdf/fi/06_tyoministerio/06_julkaisut/06_tutkimus/tpt279.pdf.
- NCSSS – Nordic Committee on Social Security Statistics (1973), *Social Security in the Nordic Countries: Expenditure on and Scope of Certain Social Security Measures 1970 (1970/1)*, Statistical Reports of the Nordic Countries, No. 24, Copenhagen.
- NCSSS (1976), *Social Security in the Nordic Countries: Expenditure on and Scope of Certain Social Security Measures 1972 (1972/3)*, Statistical Reports of the Nordic Countries, No. 29, Copenhagen.
- Niemelä, H. and K. Salminen (2006), *Social Security in Finland*, a joint publication from ETK (Finnish Centre for Pensions), KELA (Social Insurance Institution), Ministry of Social Affairs and Health and TELA (Finnish Pension Alliance), Helsinki, April, [www.kela.fi/in/internet/liite.nsf/NET/280606095303EK/\\$File/socialsecurity.PDF?OpenElement](http://www.kela.fi/in/internet/liite.nsf/NET/280606095303EK/$File/socialsecurity.PDF?OpenElement).
- NIER – National Institute of Economic Research (2005), *The Swedish Economy*, Stockholm, March, pp. 105-106, www.konj.se/download/18.c791f4103209a06ec80009/KLmars05eng_hemsida.pdf.
- Niilola, K. and M. Valtakari (2006), “Kotitalousvähennys. Kotitalousvähennys kotipalvelumarkkinoiden luojana ja työllisyyden lisääjänä” (*Tax Deduction for Household Services – The Tax Deduction System Creating a Household Service Market and Increasing Employment*), in Finnish, Työpoliittinen tutkimus (*Labour Policy Studies*), No. 310, Ministry of Labour, Helsinki, www.mol.fi/mol/fi/99_pdf/fi/06_tyoministerio/06_julkaisut/06_tutkimus/tpt310.pdf.
- Ó Cinnéide, M. (2001), “Fighting Unemployment and Social Exclusion with Partnerships in Finland”, Chapter 7 in OECD, *Local Partnerships for Better Governance*, OECD Publishing, Paris.
- OECD (1993), *The Public Employment Service: Japan, Norway, Spain and the United Kingdom*, OECD Publishing, Paris, December.
- OECD (1996a), *The Public Employment Service: Denmark, Finland and Italy*, OECD Publishing, Paris, April.
- OECD (1996b), *OECD Employment Outlook*, OECD Publishing, Paris, July.
- OECD (2000), “Eligibility Criteria for Unemployment Benefits”, Chapter 4 in *OECD Employment Outlook*, OECD Publishing, Paris, June.
- OECD (2002), *OECD Employment Outlook*, OECD Publishing, Paris, July.
- OECD (2003), “Benefits and Employment, Friend or Foe? Interactions Between Passive and Active Social Programmes”, Chapter 4 in *OECD Employment Outlook*, OECD Publishing, Paris, September.

- OECD (2004a), *Ageing and Employment Policies: Finland*, OECD Publishing, Paris, March.
- OECD (2004b), “Developing Highly Skilled Workers: Review of Finland”, OECD Peer Reviews conducted by the Committee for Industry and Business Environment (CIBE); OECD Publishing, Paris, March, www.oecd.org/dataoecd/2/2/34458180.pdf.
- OECD (2004c), *OECD Employment Outlook*, OECD Publishing, Paris, July.
- OECD (2005), *OECD Employment Outlook*, OECD Publishing, Paris, July.
- OECD (2006), *Ageing and Employment Policies – Live Longer, Work Longer*, OECD Publishing, Paris, February.
- OECD (2007a), *PISA 2006: Science Competencies for Tomorrow’s World: Volume 1: Analysis*, OECD Publishing, Paris.
- OECD (2007b), *Babies and Bosses – Reconciling Work and Family Life: A Synthesis of Findings for OECD Countries*, OECD Publishing, Paris, December.
- OECD (2007c), *OECD Employment Outlook*, OECD Publishing, Paris, June.
- OECD (2007d), *Benefits and Wages 2007: OECD Indicators*, OECD Publishing, Paris, December.
- OECD (2007e), “Compendium of the national replies to the OECD questionnaire on interventions in the unemployment spell”, background documentation for OECD (2007a), *OECD Employment Outlook*, OECD Publishing, Paris, June, www.oecd.org/dataoecd/53/41/38976231.pdf.
- OECD (2008a), *Education at a Glance 2008: OECD Indicators*, OECD Publishing, Paris, September.
- OECD (2008b), *OECD Economic Surveys: Finland*, Vol. 2008/6, OECD Publishing, Paris, June.
- OECD (2008c), *International Migration Outlook: SOPEMI 2008*, OECD Publishing, Paris, September.
- OECD (2008d), *A Profile of Immigrant Populations in the 21st Century – Data from OECD Countries*, OECD Publishing, Paris, February.
- OECD (2008e), *Sickness, Disability and Work: Breaking the Barriers (Vol. 3): Denmark, Finland, Ireland and the Netherlands*, OECD Publishing, Paris, December.
- OECD (2008f), *Revenue Statistics: 1965-2007 – Special Feature: Taxing Power of Sub-Central Governments*, OECD Publishing, Paris, October.
- OECD (2008g), *OECD Employment Outlook*, OECD Publishing, Paris, August.
- OECD (2009a), *OECD Economic Outlook*, Vol. 2009/1, No. 85, OECD Publishing, Paris, June.
- OECD (2009b), *OECD Employment Outlook: Tackling the Jobs Crisis*, OECD Publishing, Paris, September.
- OECD (2009c), *Education at a Glance 2009: OECD Indicators*, OECD Publishing, Paris, September.

- OECD (2009d), “Sickness, Disability and Work: Keeping on Track in the Economic Downturn”, Background Report for the High-Level Forum held in Stockholm on 14-15 May 2009, OECD Publishing, Paris, www.oecd.org/dataoecd/42/15/42699911.pdf.
- Øverbye, E. (2006), “Activation Policy in the Nordic Countries”, Chapter 11 in NOSOSCO (2006), *Social Protection in the Nordic Countries, 2004. Scope, Expenditure and Financing*, No. 28:06, Copenhagen, p. 235, nososco-eng.nom-nos.dk/filer/publikationer/Trygtext%202004%20GB.pdf.
- Peer Review (1999), “A Comprehensive Reform of Active Labour Market Policy: The Finnish Review”, Executive Summary for the Peer Review meeting “Activation and individual employment service” held in Helsinki on 3-4 June, www.mutual-learning-employment.net/pdf/en9904ex.pdf.
- Piekkola, H. and E. Siljander (2004), “Labour Supply and Demand of Risk Groups: Young and Old”, Appendix 1.1, Paper from the project “Early Intervention as an Employment Policy Method”, EU project/V5/2003/0678, 2 November, www.mol.fi/mol/en/99_pdf/en/90_publications/earlyintervention_appendixes.pdf.
- Pitkänen, S., S. Aho, H. Koponen, M. Kylmäkoski, J. Nieminen and I. Virjo (2007), “Ryhtiä ja ruutia nuorten työvoimapolveluihin. Nuorten yhteiskuntatakuun toteutumistaja tuloksia selvittävä” (*Pep and Power into the Employment Services for Youth: A Study Looking into the Implementation and Results of the Youth Guarantee*), in Finnish, Työpoliittinen tutkimus (*Labour Policy Studies*), No. 333, Ministry of Labour, Helsinki, www.mol.fi/mol/fi/99_pdf/fi/06_tyoministerio/06_julkaisut/06_tutkimus/tpt333.pdf.
- Prime Minister’s Office (2007a), *Recruitment Problems, Labour Supply and Workers’ Mobility*, Prime Minister’s Office Publications, Vol. 17/2007, Helsinki, September, www.vnk.fi/julkaisukansio/2007/j05-17-rekrytointiongelmat-tyovoiman-tarjonta/pdf/en.pdf.
- Prime Minister’s Office (2007b), “Government Programme of Prime Minister Matti Vanhanen’s Second Cabinet”, Helsinki, 19 April, www.vn.fi/hallitus/hallitusohjelma/pdf/en.pdf.
- Pulliainen, H. (2005), “Vocational Guidance Services in Finland”, Statements and Comments from Finland – Official Paper – PowerPoint presentation for the Peer Review meeting “Supporting Lifelong Learning” held in Riga on 24-25 November and hosted by the Latvian Ministry of Welfare, www.mutual-learning-employment.net/pdf/latvia05/FinlandOfficial.pdf.
- Quintini, G. and S. Martin (2006), “Starting Well or Losing their Way? The Position of Youth in the Labour Market in OECD Countries”, OECD Social, Employment and Migration Working Papers, No. 39, OECD Publishing, Paris, December, www.oecd.org/els/workingpapers.
- Quintini, G., J.P. Martin and S. Martin (2007): “The Changing Nature of the School-to-Work Transition Process in OECD countries”, IZA Discussion Papers, No. 2582, Bonn, January, ftp://repec.iza.org/RePEc/Discussionpaper/dp2582.pdf.
- Räisänen, H. (2004), “The Active Labour Market Policy Reform – The Second Wave”, Discussion Paper – Official experts’ Paper – from Finland to the Peer Review meeting “The Active Labour Market Policy Reform - The Second Wave” held in Helsinki on 13-14 May, www.mutual-learning-employment.net/pdf/finland%2004/HCO_FIN04.pdf.
- Räisänen, H. (2005), “Comparative Analysis on the Job-Broking Market in Japan and Finland”, Japan Institute for Labour Policy and Training, Tokyo, March, www.jil.go.jp/profile/documents/Räisänen.pdf.

- Räisänen, H. (2006), “Flexicurity and Labour Mobility: The Finnish Puzzle”, presentation at the Meeting of MISEP correspondents hosted by the Finnish EU Presidency and EEO, Hämeenlinna, 6 November, www.mol.fi/mol/en/99_pdf/en/01_ministry/eu_raisanen.pdf.
- Räisänen, H. and H. Skog (1998), *Towards a Better Functioning Labour Market*, Senior Government Advisors’ Report for the Reform of the Labour Market Policy System, Ministry of Labour, Helsinki.
- Rantakaulio, M. (2008), “A strong start – the Finnish early intervention strategy”, presentation for the WAPES Benchmarking Thematic Day, Ministry of Employment and the Economy, Helsinki, 5-6 May, www.pes-benchmarking.eu/english/doshow.asp?IdPageLv=5&ord=3&Page=3.
- Renooy, P., S. Ivarsson, O. van der Wusten-Gritsai and R. Meijer (2004), *Undeclared Work in an Enlarged Union – An Analysis of Undeclared Work: An In-Depth Study of Specific Items*, European Commission, DG for Employment and Social Affairs, May, PDF-file can be downloaded from “Related documents” clicking on the “en” button below the title “Undeclared work in an enlarged Union (2004)” at ec.europa.eu/social/main.jsp?catId=647&langId=en.
- SATA Committee (2009), “Proposal of the Committee for reforming social protection (SATA Committee) for the main policy lines in the total reform of social protection”; Ministry of Social Affairs and Health, Helsinki, www.stm.fi/en/strategies_and_programmes/sata.
- Soininen, H. (2007), “Finnish Evidence of Changes in Labor Market Matching”, *Finnish Economic Papers*, Vol. 20, No. 1, Spring, pp. 57-71.
- STAKES – National Research and Development Centre for Welfare and Health (2003), “Toimeentulotuki 2002” (*Social Assistance 2002*), Statistical Summary in English, Vol. 28/2003, STAKES, Helsinki, 2 December, www.stakes.fi/NR/rdonlyres/80A6FF9F-D3F9-45B7-9C7C-36A287875E0F/0/Tt28_03.pdf.
- STAKES (2008), “Toimeentulotuki 2007” (*Social Assistance 2007*), Statistical Summary in English, Vol. 37/2008, STAKES, Helsinki, 19 December, pp. 5-9, www.stakes.fi/tilastot/tilastotiedotteet/2008/Tt37_08.pdf.
- Stenholm, P. (2006), “Starttirahalla yrittäjyyteen. Kokemuksia starttirahakokeilusta” (*With Help of the Start-Up Grant to Entrepreneurship – Experiences from the Start-Up Grant Trial*), in Finnish, Työpoliittinen tutkimus (*Labour Policy Studies*), No. 320, Ministry of Labour, Helsinki, www.mol.fi/mol/fi/99_pdf/fi/06_tyoministerio/06_julkaisut/06_tutkimus/tpt320.pdf.
- Sultana, R.G. and A.G. Watts (2006), “Career Guidance in Public Employment Services across Europe”, *International Journal for Educational and Vocational Guidance*, Springer, Vol. 2006, No. 6, pp. 29–46, www.um.edu.mt/_data/assets/pdf_file/0019/39502/PES-Sultana-Watts-IJEVG.pdf.
- Sutela, H. (2006), “Fixed-term contracts still common in public sector”, European Foundation for the Improvement of Living and Working Conditions, European Working Conditions Observatory (EWCO), Dublin, July, www.eurofound.europa.eu/ewco/2006/04/FI0604NU04.htm.
- Temmes, M. and H. Melkas (2001), *Labour Administration in Finland*, International Labour Office. Department of Government, and Labour Law and Administration, Document No. 4, Geneva, www.ilo.org/public/english/dialogue/ifpdial/downloads/gllad/finland.pdf.

- Tergeist, P. and D. Grubb (2006), “Activation Strategies and the Performance of Employment Services in Germany, the Netherlands and the United Kingdom”, OECD Social, Employment and Migration Working Papers, No. 42, OECD Publishing, Paris, December, www.oecd.org/els/workingpapers.
- Timonen, V. (2003), *Restructuring the Welfare State: Globalization and Social Policy Reform in Finland and Sweden*, Edward Elgar Publishing Ltd, Cheltenham, June.
- Toppila, J. (2006), “Labour Force Service Centres – Country example: Finland”, Discussion Paper from Finland for the Thematic Review seminar “Filling delivery gaps through better governance” held in Brussels on 26 April, www.mutual-learning-employment.net/thematicreviews/.
- Tuomala, J. (2002), “Työvoimakoulutuksen vaikutus työttömien työllistymiseen”, VATT Research Reports, No. 85, in Finnish, VATT (*Government Institute for Economic Research*), Helsinki, 25 March, www.vatt.fi/file/vatt_publication_pdf/t85.pdf.
- TYJ – Työttömyyskassojen Yhteisjärjestö Ry (*Federation of Unemployment Funds in Finland*) (2002), “Unemployment Funds – Membership and Benefits 2002”, www.tyj.fi.
- Uusitalo, H. (2003), “Opening remarks of the demographic, economic and labour market contexts of disability pensions”; in R. Gould and S. Laitinen-Kuikka (eds.), *Current Trends in Disability Pensions in Europe*, Finnish Centre for Pensions, proceedings from a seminar held in Helsinki on 8 April, www.etk.fi/Binary.aspx?Section=58010&Item=17209.
- Uusitalo, H. (2007), “Increased Labour Force Participation of Ageing Workers: The Case of Finland”, Presentation for the ISSA European Regional Meeting “Inclusion in Working Life” held in Oslo on 15-16 May, www.issa.int/aiss/Resources/Conference-Reports/Increased-labour-force-participation-of-ageing-workers.-The-case-of-Finland.
- Uusitalo, R. (2005), “Kasvattiko kotitalousvähennys todellakin työllisyyttä?”, in Työpoliittinen Aikakauskirja (*Finnish Labour Review*), Katsauksia ja keskusteluja (*Comments and statements*), in Finnish, Vol. 2/2005, pp. 82-85, www.mol.fi/mol/fi/99_pdf/fi/06_tyoministerio/06_julkaisut/aikakausi/tak/2005/02/TAK_2005_2_8.pdf.
- Uusitalo, R. and J. Verho (2007), “The Effect of Unemployment Benefits on Re-Employment Rates: Evidence from the Finnish UI-benefit reform”, IFAU Working Papers, No. 2007:21, Institute for Labour Market Policy Evaluation, Uppsala, www.ifau.se/upload/pdf/se/2007/wp07-21.pdf.
- Vähätalo, K. (1991), “Long-term Unemployment and the Employment Act”, Työpoliittinen tutkimus (*Labour Policy Studies*), No. 20, Ministry of Labour, Helsinki.
- Vainio, T., T. Mäkelä, K. Mikkola and P. Tienhaara (2007), “Työvoimapolitiittisen koulutuksen vaikuttavuuden parantaminen. Talonrakentaminen ja metalliala”, Työpoliittinen tutkimus (*Labour Policy Studies*), in Finnish, No 334, Ministry of Labour, Helsinki, www.mol.fi/mol/fi/99_pdf/fi/06_tyoministerio/06_julkaisut/06_tutkimus/tpt334.pdf.
- Valtakari, M. (2008), “Observations on the labour policy effectiveness of the Public Employment Service Reform”, Työpoliittinen Aikakauskirja (*Finnish Labour Review*), English Summaries, Vol. 3/2008, Ministry of Labour, Helsinki, p. 111, www.tem.fi/files/20246/englishsummaries.pdf.

- Van Gerven, M. (2001), “Mystery of Mothers on the Labour Market: Comparison of the Differences in Labour Market Participation of Married Mothers with Small Children in Germany and Finland during the 1990s”, Master’s Thesis in Social Policy, University of Tampere, Department of Social Policy and Social Work, November, tutkielmat.uta.fi/pdf/gradu00081.pdf.
- Van Gerven, M. (2008), “The Broad Tracks of Path Dependent Benefit Reform: A Longitudinal Study of Social Benefit Reforms in Three European Countries, 1980–2006”, *Studies in Social Security and Health*, No. 100, KELA Research Department, Helsinki, August, [www.kela.fi/in/internet/liite.nsf/NET/231008124708PB/\\$File/tutkimuksia100_netti.pdf?openElement](http://www.kela.fi/in/internet/liite.nsf/NET/231008124708PB/$File/tutkimuksia100_netti.pdf?openElement).
- Van Oorschot, W. (2006), “The Dutch Welfare State: Recent Trends and Challenges in Historical Perspective”, *European Journal of Social Security*, Vol. 8, No. 1, pp. 57-76, spitswww.uvt.nl/~worschot/wvo/ArtikelenOnline/DutchWSejss.pdf.
- Van Oorschot, W. and K. Boos (2000), “The Battle against Numbers: Disability Policies in the Netherlands”, *European Journal of Social Security*, Vol. 2, No. 4, pp. 343-361.
- Van Ours, J. (2006), “Leaving ‘Hotel California’: How Incentives affect Flow of Benefit Recipients in the Netherlands”, CentER Discussion Papers, No. 116, Department of Economics, Tilburg University, November, arno.uvt.nl/show.cgi?fid=53994.
- Venn, D. (2009), “Legislation, Collective Bargaining and Enforcement: Updating the OECD Employment Protection Indicators”, OECD Social, Employment and Migration Working Papers, No. 89, OECD Publishing, Paris, July, www.oecd.org/els/workingpapers.
- Visser, J. and A. Hemerijck (1997), *‘A Dutch Miracle’: Job Growth, Welfare Reform and Corporatism in the Netherlands*, Amsterdam University Press, Amsterdam.
- Vogler-Ludwig, K., N. Duell, S. Leitzke and V. Letzner (2003), *Ausbildung für einfache Berufe. Identifizierung von Tätigkeitsfeldern mit weniger komplexen Anforderungen als Basis zur Schaffung neuer anerkannter Ausbildungsberufe mit abgesenktem Anforderungsniveau*, BMWA-Forschungsvorhaben 13/02, Kurzfassung des Endberichts, in German, Gutachten für das Bundesministerium für Wirtschaft und Arbeit, Economix Research & Consulting, Munich, June.
- Wagner, E. and L. Lassnig (2005), “Arbeitsstiftungen als Instrument im Strukturwandel”, Research Report, in German, EQUIIHS, Institut für Höhere Studien (*Employment Qualification Innovation Institute for Advanced Studies*), Vienna, December, www.equi.at/dateien/Arbeitsstiftungen-Endbericht.pdf.
- Walther, A. and A. Pohl (2005), *Thematic Study on Policy Measures concerning Disadvantaged Youth: Final Report, Volume 2 – Annexes II-VI (National Reports, Compendium of Good Practice, Validation)*, European Commission, DG Employment and Social Affairs and Institute for Regional Innovation and Social Research (IRIS), Tuebingen, ec.europa.eu/employment_social/spsi/docs/social_inclusion/youth_study_annex_en.pdf.
- Wolff, J. and K. Hohmeyer (2008), “Wirkungen von Ein-Euro-Jobs – Für ein paar Euro mehr”, IAB-Kurzbericht (*Brief Report*), No. 2/2008, in German, Institut für Arbeitsmarkt- und Berufsforschung (*Institute for Employment Research*), Nuremberg, doku.iab.de/kurzber/2008/kb0208.pdf.

OECD SOCIAL, EMPLOYMENT AND MIGRATION WORKING PAPERS

Most recent releases are:

- No. 97 *CHILDREN OF IMMIGRANTS IN THE LABOUR MARKETS OF EU AND OECD COUNTRIES: AN OVERVIEW*
Thomas Liebig (2009)
- No. 96 *INCOME DISTRIBUTION AND SUBJECTIVE HAPPINESS: A SURVEY*
Claudia Senik (forthcoming)
- No. 95 *LOOKING INSIDE THE PERPETUAL-MOTION MACHINE: JOB AND WORKER FLOWS IN OECD COUNTRIES*
Andrea Bassanini and Pascal Marianna (2009)
- No. 94 *JOBS FOR IMMIGRANTS: LABOUR MARKET INTEGRATION IN NORWAY*
Thomas Liebig (2009)
- No. 93 *THE WELFARE EFFECTS OF SOCIAL MOBILITY*
Justina A. V. Fischer (2009)
- No. 92 *HOW EXPENSIVE IS THE WELFARE STATE? GROSS AND NET INDICATORS IN THE OECD SOCIAL EXPENDITURE DATABASE (SOCX)*
Willem Adema and Maxime Ladaïque (forthcoming)
- No. 91 *SHOULD PENSION SYSTEMS RECOGNISE "HAZARDOUS AND ARDUOUS WORK"?*
Asghar Zaidi and Edward Whitehouse (2009)
- No. 90 *GOING SEPARATE WAYS? SCHOOL-TO-WORK TRANSITIONS IN THE UNITED STATES AND EUROPE*
Glenda Quintini and Thomas Manfredi (2009)
- No. 89 *LEGISLATION, COLLECTIVE BARGAINING AND ENFORCEMENT: UPDATING THE OECD EMPLOYMENT PROTECTION INDICATORS*
Danielle Venn (2009)
- No. 88 *TOWARDS A FRAMEWORK FOR ASSESSING FAMILY POLICIES IN THE EU*
Henning Lohmann, Frauke H. Peter, Tine Rostgaard and C. Katharina Spiess (2009)
- No. 87 *INVESTMENT RISK: IMPACT ON RETIREMENT INCOMES AND GOVERNMENT BUDGETS*
Edward Whitehouse, Anna Cristina D'Addio and Andrew Reilly (2009)
- No. 86 *PENSION REFORM IN CHILE REVISITED: WHAT HAS BEEN LEARNED?*
Augusto Iglesias Palau (2009)
- No. 85 *INEQUALITY, POVERTY AND SOCIAL POLICY: RECENT TRENDS IN CHILE*
Osvaldo Larrañaga (2009)
- No. 84 *PENSION SCHEMES FOR THE SELF-EMPLOYED IN OECD COUNTRIES*
Jongkyun Choi (2009)
- No. 83 *WORK, JOBS AND WELL-BEING ACROSS THE MILLENNIUM*
Andrew Clark (2009)
- No. 82 *CHILD WELL-BEING AND SOLE PARENT FAMILY STRUCTURE IN THE OECD: AN ANALYSIS*
Simon Chapple (2009)
- No. 81 *A GOOD TIME FOR MAKING WORK PAY? TAKING STOCK OF IN-WORK BENEFITS AND RELATED MEASURES ACROSS THE OECD*
Herwig Immervoll and Mark Pearson (2009)

Other series of working papers available from the OECD include: [OECD HEALTH WORKING PAPERS](#).

RECENT RELATED OECD PUBLICATIONS:

- OECD EMPLOYMENT OUTLOOK: Tackling the Jobs Crisis* (2009)
- DOING BETTER FOR CHILDREN* (2009)
- SOCIETY AT A GLANCE – ASIA/PACIFIC EDITION* (2009)
- OECD REVIEWS OF LABOUR MARKET AND SOCIAL POLICIES: SLOVENIA* (2009)
- INTERNATIONAL MIGRATION OUTLOOK: SOPEMI* (2009)
- PENSIONS AT A GLANCE 2009: Retirement-Income Systems in OECD Countries* (2009)
- JOBS FOR YOUTH: FRANCE* (2009)
- SOCIETY AT A GLANCE 2009 – OECD Social Indicators* (2009)
- JOBS FOR YOUTH: AUSTRALIA* (2009)
- OECD REVIEWS OF LABOUR MARKET AND SOCIAL POLICIES: CHILE* (2009)
- PENSIONS AT A GLANCE – Special Edition: ASIA/PACIFIC* (2009)
- SICKNESS, DISABILITY AND WORK: BREAKING THE BARRIERS (Vol. 3) – Denmark, Finland, Ireland and the Netherlands* (2008)
- GROWING UNEQUAL? Income Distribution and Poverty in OECD Countries* (2008)
- JOBS FOR YOUTH: JAPAN* (2008)
- JOBS FOR YOUTH: NORWAY* (2008)
- JOBS FOR YOUTH: UNITED KINGDOM* (2008)
- JOBS FOR YOUTH: CANADA* (2008)
- JOBS FOR YOUTH: NEW ZEALAND* (2008)
- JOBS FOR YOUTH: NETHERLANDS* (2008)
- OECD LABOUR FORCE STATISTICS: 1987-2007* (2008)
- JOBS FOR IMMIGRANTS (Vol. 2): Labour Market Integration in Belgium, France, the Netherlands and Portugal* (2008)
- IMMIGRANT HEALTH WORKERS IN OECD COUNTRIES IN THE BROADER CONTEXT OF HIGHLY SKILLED MIGRATION* (2008)
- INTERNATIONAL MIGRATION OUTLOOK* (2008)
- OECD EMPLOYMENT OUTLOOK* (2008)
- OECD REVIEWS OF LABOUR MARKET AND SOCIAL POLICIES: SERBIA – A Labour Market in Transition* (2008)
- A PROFILE OF IMMIGRANT POPULATIONS IN THE 21ST CENTURY* (2008)
- MODERNISING SOCIAL POLICY FOR THE NEW LIFE COURSE* (2007)
- BABIES AND BOSSES – Reconciling Work and Family Life: A Synthesis of Findings for OECD Countries* (2007)

For a full list, consult the OECD On-Line Bookstore at www.oecd.org.