

Initiatives by the social partners for improving the labour market access of disadvantaged groups

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Policy context

In Finland relatively low employment protection and high protection by labour market policies are linked together. The union density is high, more than 70%. Finland shares with Austria the long tradition of cooperation between the major social and economic interest groups and the government. Social partners are involved in policy preparation in many fields, including economic social, occupational health and safety as well as employment policy.

In the new millennium, the Finnish economy has developed favourably, resulting in a considerable increase in the demand for labour. In 2006, production went up by nearly 6%. Economic development was speeded up by the rapid increase in the productivity of labour. While there were an average of 321,000 unemployed jobseekers registered with the Employment Offices in 2000, in 2006 their average number was no more than 250,000. Even if long-term unemployment has shown a clear downward trend, the average number of jobseekers registered with the Employment Offices who have been unemployed for a year or more still was 64,800.

The continuous change of work and the labour market, albeit positive, and maintaining our national competitiveness in the global market pose a challenge both to work organisations and individuals to work more efficiently and skilfully. The problems in the availability of labour are already visible, as roughly one employer out of ten is experiencing a labour shortage. One place of business out of four has encountered various types of recruitment problems.

Uncertainty in working life has increased, and as a result, managing one's life has become more challenging for the individual. Finding a suitable job, continuous development of skills, and encountering unemployment or health-based restrictions are serious challenges. In 2006, 60% of unemployed jobseekers had problems in finding employment because of reasons relevant to their vocational skills, disability, age or immigrant background. Of the long-term unemployed, 44% were aged over 55, and 21% were disabled. The challenges are fairly common in all EU-countries.

In Finland, active labour market policy (ALMP) has a significant role in the labour market system. ALMP as part of the labour market system can increase participation in the labour force. In this sense, ALMP can promote labour market adaptability and flexibility. The centralised collective agreement system again is linked to small wage differentials, which explains the even income distribution. By international comparison, the wage floor in Finland is the highest of all EU countries, and this again explains the relatively low employment rate of the young, which places more challenges on ALMP. In this respect, ALMP can be seen as a system substituting for the deficiencies in the functioning of the labour market system and improving inclusion.

The effects on the functioning, flexibility, and security of the labour markets become multidirectional when the links between ALMP and incomes policy are taken into account. The importance of ALMP as part of the employment system together with incomes policy changes the traditional outlook on the evaluation of ALMP effects. Regarding employment effects, many evaluations, however, bring forth deficiencies in the effectiveness and cost-effectiveness of ALMP measures. It can be asked, if some of ALMP's social or welfare effects are more relevant than its employment effects.

Incapacity for work has been one of major problems in Finnish working life in the 2000s reflected in the high disability pension rates among the age groups over 55 years and particularly in the age group 60 to 64 years, in which less than 20% are active in working life. The maintenance and promotion of work ability and prevention of disability by appropriate occupational health measures and by general health promotion are given high priority. In order to be successful, occupational health service requires that all parties are committed to supporting the promotion of the healthiness and safety of the workplace, taking into account all factors that influence the maintenance and promotion of health and working capacity or work ability.

Important policy questions in Finland at the moment

The full impact of the **ageing of the population** on the development of the economic dependency ratio will begin to be felt in the 2010s and 2020s. Beginning in 2010, the number of working-age population will start to decrease. At the same time, the size of those age cohorts that have traditionally had a low employment rate will increase.

Despite the ageing workforce the government considers that it is possible to create 80,000 to 100,000 new jobs over the current parliamentary term (2007-2010). This would **raise the employment rate** to about 72% by the end of this term. The long-term target of the government is to raise the employment rate to 75%.

In order to achieve these ambitious targets the employment rates of all population groups must be increased. Employment rates have recently increased, especially in older age groups. The employment rates of older age groups are still clearly lower than in other Nordic countries and particularly the employment rate of older men is low. Furthermore, the increased employment rates are due to the fact that older employees are staying longer in employment. In case of unemployment or other break in employment few older workers return to working life. Improved measures and incentives **to keep especially older workers employed** are thus needed. In addition, measures to improve older workers' return to employment are necessary.

In order to achieve the government's ambitious employment targets, employment rates of not only older people but of all population groups must be increased. According to OECD statistics the share of inactive in working age population due to sickness and disability is in Finland one of the highest in OECD countries. The limited information available on the employment of disabled persons suggests that their employment rate is low. It also seems that changes in their employment have followed the general trend with a sharp drop in mid 1990s and gradual improvement after that.

The decrease in working-age population in a near future can also be considered as an opportunity for groups that have previously had problems to attach to the labour market. The increased competition for labour may possible **change employers' attitudes towards persons with disabilities**.

It is also essential to acknowledge that many disabled are neither employed nor receive any disability benefits. It is important that authorities identify also the needs of the disabled persons and help them to attach the labour market or, when appropriate, help them to receive benefits they are entitled to.

Despite the positive development, the number of jobseekers who are difficult to employ remains high. **The intermediate labour market** offers job opportunities to those who are, for various reasons, difficult to place in the open labour market (= the non-subsidised labour market). The intermediate labour market provides job opportunities linked to services that promote job placement and coping at work. National labour market measures (trainee work and preparation for working life) and subsidised work are intended to improve professional skills, expertise and labour market status, and so aid access to the open labour market. The aim of active social policy (e.g. rehabilitative work activities and work under the Social Welfare Act) is to maintain people's functional capacity and improve the way they manage their lives, thus enabling them to enter the intermediate labour market or move directly into the open labour market. The measures under active employment policy are the responsibility of the Ministry of Employment and the Economy and those under active social policy that of the Ministry of Social Affairs and Health.

People who need services in the intermediate labour market belong to following five groups

- long-term unemployed
- people with disabilities
- people who are statistically likely to become long-term unemployed
- people who have retired due to illness (temporary or permanent) (most of them have mental illnesses)
- certain groups of immigrants with insufficient skills

During the period from January to July 2007 there were about 316,000 jobseekers of whom about 125,000 needed services in the intermediate labour market. 28% of them need active labour market measures and 12% active social policy measures.

The intermediate labour market -jobs are offered by registered associations, coaching and social service foundations, social enterprises, workshops and other bodies such as municipalities and the state. During the period from January to July 2007 there were on average about 32,000 people in subsidised work. 7% were hired by the state, 24% by municipalities, 29% by enterprises and 32% by other communities. Associations and foundations also called the third sector hire most of the people in the last group. In Finland there are about 240,000 enterprises and only 5% of them have hired unemployed jobseekers with the pay subsidy.

One reason for the low effectiveness of the subsidised work scheme is that a lot of job opportunities are arranged in the public sector and in the third sector but most vacancies are in enterprises. Unemployed people need practice in the job they are likely to be hired for. The jobs in the third sector are often tailored for the unemployed, and therefore don't raise vocational skills to the desired level.

Transferability of the policy to Finland

When assessing the transferability of policies, the significance of institutional factors has to be taken into consideration. Many institutional factors change slowly and the reforms that relate to them involve vast contradictory interests. The realisation of equality on the labour markets is also linked to the economic, social and cultural development of different countries. For example, women's participation in work is of great importance to social inclusion in a broad sense. Also quality aspects of employment, such as the volume of part-time work of precarious jobs, are crucial in comparing and evaluating the outcome of policies.

Finland is one of the front-running countries in developing occupational health and safety strategies and means for supporting employment of the ageing work force. Finnish authorities have launched several policy programmes like 'The National Ageing programme', 'Wellbeing at work programme', 'Noste- programme', 'Tykes-programme' and 'Veto-programme'. These initiatives have also received international recognition as the set of programmes was awarded the prize of the Bertelsmann Stiftung in the autumn 2006. Similarly to Austria we have implemented several programmes that aim at improving the employability and active employment of the groups furthest away from the labour market.¹

Maintenance of work ability is the central framework for occupational health and safety activities in Finland. The essence of this approach is that multidimensional factors have an influence on individuals' ability to perform well in work tasks. Therefore the Finnish framework consists of health, competencies, work community and work environment. The challenge is to implement these dimensions holistically to a specific context that is defined by the organisation that is being scrutinised. In that respect we are interested in learning from the experience of Austrian and other countries.

The role of the social partners

Like in Austria, broad-based policy preparation has a long tradition and its own institutional arrangements in Finland. The country's policies in the areas of income, taxation, employment and social affairs have been developed through collaboration between central and local government and the labour market organizations. The latter are prepared to take on their part of the responsibility in striving for a high employment rate and stable economic development. Successful cooperation requires trust both among labour market organizations and in agreements between all the social partners. Labour market organizations aim to conclude collective agreements that will boost employment, encourage people to stay at work and help them to cope with work, and prevent the threat of social exclusion.

The tripartite cooperation has played a most important role at all stages of the development of the occupational health services. For the past decades occupational health services have been developed in consensus and cooperation between the authorities and labour market organizations as required by changes in working life. These needs for change have been taken into account in revising occupational health care legislation. The Advisory Committee on Occupational Health Care in the Ministry of Social Affairs and Health carries out systematic

¹ <http://www.government.fi/toiminta/politiikkaohjelmat/en.jsp>

development and follow-up of the occupational health services. All main actors in the field of OHS are represented in the committee.

However the role of the social partners has been less visible in the efforts to integrate the long-term unemployed into the open labour market. We are eager to learn more about the contributions the social partners and enterprises can make in order to improve the employability of the most vulnerable groups. We consider it also important that local unions are involved in the policy-making processes.

The transferability of the Austrian experiments and programmes

There is a need to interchange experiences between programmes that aim at similar outcomes. Good practices are valuable in several policy areas and in designing new policy options. However, the EU member states have their own welfare and labour systems and institutional frameworks that have developed over decades.

Below are mentioned **relevant Finnish counterparts** for each Austrian programme presented in this peer review.

Work and age programme

- National Programme on Ageing Workers 1998-2002
- Longer careers? The Veto Programme (Increasing the attraction of working life) 2003-2007
- Policy Programme for Employment, Entrepreneurship and Worklife 2007-2011

Work and disability programme

- Disability Policy Programme (at a planning stage, 2008-), see also Government report on Disability Policy 2006 ²

Work and health programme /

- Policy Programme for Health Promotion
- Masto –programme (reducing the incidence of depression among the population leading to incapacity for work)
- A Development Project of Health Care for Long-term Unemployed 2007-2009
- Forum for well-being at work 2008-

Service work and health – advisory services for professional prevention /

² <http://www.stm.fi/Resource.phx/publishing/documents/7545/index.htm>

- National development programme for social and health care KASTE 2008-2011
- National Target and Action Plan for Nursing 2008-2011: Increasing attractiveness and effectiveness of nursing by improved management (under preparation)

Active integration measure: A chance for youth /

- The youth guarantee
- Policy Programme for Employment, Entrepreneurship and Worklife 2007-2011
- Policy programme for the well-being of children, youth and families

Key Issues and main questions for the debate

Overall policy framework issues:

- Programme-based approach to solve structural problems (How to link various programmes, projects and efforts together, how to guarantee the continuity of the activities)
- Long-term perspective and long-lasting effects of the inclusion policies

Assessment and follow-up issues:

- Measuring the success of policies (see Kauppi, Hannu: Does Inclusion Pay? Evaluating Impacts and Cost-Effectiveness of Active Social Policy and Active Labour Market Policy on Inclusion. Ministry of Labour, November 2006)
- Quality issues of inclusive labour markets
- Universal definition of people with disabilities
- National peculiarities

Policy coherence issues:

- Role of preventive social and health care in inclusion policies
- Creating an intermediate labour market

APPENDIX: Programmes and projects promoting employment, health and workability³

Government Policy Programmes

Prime Minister Vanhanen's second Cabinet has launched three policy programmes

Policy programme for employment, entrepreneurship and worklife

In order to secure a sound basis for economic growth, employment and the welfare society, it will be necessary to improve productivity and the standard of quality of the working environment over the next few decades, with productivity playing an increasingly important part as people are ageing. The implementation of the political programme calls for an analysis of how to extend the working careers of ageing personnel in the context of the planned reforms towards incentive-oriented social security system. The policy programme will also take due account of the new guidelines presented in the government programme designed to renew employment policies calling for early intervention in order to prevent social exclusion.

Policy programme for health promotion

The objectives of the health-promotion programme are to improve the general state of health of the population and to narrow the health gaps between individuals. Issues to be addressed in the context of the programme will include measures to develop the structures geared to promote health and related legislation, promote the well-being of children and the youth, improve the health, functional capacity and workplace welfare of people of working age, promote the health and functional capacity of older people, assign responsibility for preventive efforts and allocate related resources, stress the importance of physical activity and culture for well-being and increase the healthiness of the environment.

Policy programme for the well-being of children, youth and families

The objective of the policy programme to promote the well-being of children, youth and families is to prevent and alleviate ill-health and social exclusion.

VETO-programme⁴

The objective of the national Veto Programme is to maintain and promote the attractiveness of work and working life. It is a programme for well-being at work and extending working life. The objectives of the 'Veto' Programme, i.e. the national programme for increasing the attraction of working life, are integrally linked with the Government's target for an employment rate of 75%.

³ The OECD Thematic Review on Reforming Sickness and Disability Policies to Improve Work Incentives. Ministry of Social Affairs and Health, Memorandum 27.2.2008

⁴ <https://rtstm.teamware.com/Resource.phx/veto/index.htx?eng>

Some of the objectives of the programme do not only stress the importance of attaining a high employment rate but also the hours of work actually worked and reduction of absence from work caused by illness.

The Veto Programme continues the projects that have been developing Finnish working life, like the National Programme for Ageing Workers ([The National Programme on Ageing Workers - Evaluation](#)) and the National Well-being at Work Programme ([Summary and evaluation](#)) Veto started in 2003 and continues until 2007. The main responsibility for the programme has been born by the Ministry of Social Affairs and Health. Issues related to the programme will be transferred to the new Ministry of Labour and Industry.⁵

Health 2015 public health programme⁶

The Government Resolution on the Health 2015 public health programme outlines the targets for Finland's national health policy for the next fifteen years. The main focus of the strategy is on health promotion, not so much on developing the health service system. The foundation for the strategy is provided by the Health for All programme of the WHO. The strategy is a continuation of the Finnish national HFA 2000 programme.

Health 2015 is a cooperation programme that provides a broad framework for health promotion in various component areas of society. It reaches across different sectors of administration, since public health is largely determined by factors outside health care: lifestyles, living environment, quality of products, factors promoting and factors endangering community health. The concepts 'settings of everyday life' and 'course of life' play a key role in the programme. The strategy presents eight targets for public health, which focus on important problems requiring concerted action by various bodies. They indicate the outcome aimed at in different phases of life. In addition, there are 36 statements concerning the lines of action underlined by the Government, incorporating challenges and guidelines related to citizens' everyday environments and various actors in society.

National development programme for social and health care KASTE 2008-2011

The national development programme for social and health care comes into operation from the beginning of the year 2008. It will utilize experiences from the National Development Project for Social Services in Finland 2003-2007 and the National Programme to Reform Health Care. One of the themes of the programme is development of the intermediate labour market.

⁵ At the beginning of 2008 a new Ministry of Labour and Industry will be established which will assume responsibility for the duties of the existing Ministry of Trade and Industry and of the Ministry of Labour, excluding migration and integration matters, and the functions of the Department for Development of Regions and Public Administration of the Ministry of the Interior, excluding the Regional and Local Administration Unit.

⁶ <http://www.terveys2015.fi/images/health2015.pdf>

MASTO Project

The Ministry of Social Affairs and Health has recently launched a project designed to reduce the incidence of depression among the population leading to incapacity for work. Depression is a major cause of people taking early retirement, prolonged sick leave and leave due to incapacity for work.

The initiative, called the MASTO Project, which is spearheaded by a broad-based coordinating group, aims to improve mental health by targeting depression prevention, treatment and rehabilitation. It also aims to develop a range of best practices concerning people on sick leave due to depression. The project seeks to promote stronger collaboration between the numerous other initiatives underway nationwide to upgrade mental health and tackle depression. <http://www.stm.fi/Resource.phx/publishing/documents/13154/index.htm>

Workplace Development Programme TYKES

The Finnish Workplace development Programme TYKES (2004-2009) promotes the modes of operation of Finnish companies and other work organizations, with an eye to simultaneous enhancement of productivity and the quality of working life. This is called qualitatively sustainable productivity growth. Development activity in the programme projects is based on cooperation between the management and staff of the workplaces concerned. In addition, TYKES promotes the dissemination of project results and expertise on workplace development.

TYKES is based on the view that the most effective way of generating new innovative solutions for working life is close cooperation and interaction between workplaces, researchers, consultants, public authorities and the social partners. The capacity of the different parties to join forces is for a small country like Finland a precondition for coping with the globalizing economy. Success in the new competitive environment increasingly calls for workplace innovation.

The youth guarantee 2005-

The central aspects of the youth guarantee, put into effect by the Ministry of Labour, have been the assessment of jobseekers' service needs immediately at the early stages of jobseeking, and the drawing up of jobseeker's plans within the time limit, as well as the promise made to all young people under 25 years of age that an active alternative will be arranged not later than within three months of unemployment. Besides reallocation of resources and organizing related to employment services, steps have also been taken to make the youth service process more effective by developing external service cooperation.

The New National Target and Action Plan for Nursing 2008-2011: Increasing attractiveness and effectiveness of nursing by improved management

The New National Target and Action Plan for nursing follows the guidelines set by the National Development Programme for Social and Health Care (KASTE). The implementation of the plan

aims at building up the capacities of health care managers, intensifying the recruitment of nursing personnel and promoting the health and well-being of the population.

Forum for Well-being at Work 2008

The Ministry for Social Affairs and Health has introduced a new flexible and innovative initiative The Forum for well-being at work. The Forum takes advantage of the results and work methods developed in previous development programmes focusing on working life. The Forum has no pre-set duration. The activities of the Forum are prepared and performed in close co-operation with social partners, ministries, donors, and insurance and research organisations.

The goal of The Forum is to promote the well-being of working aged people and sustainable success of work organisations. Improvements in well-being at work will increase the attractiveness of work and productivity and, moreover, the capacity of employees to adapt to change. The Forum is a module in the Government's Policy programme on Work, entrepreneurship and working life.

The scope of well-being at work is broad, including physical, psychological and social well-being at work. The main themes of The Forum are dissemination of good practises, ergonomics including stress at work, and safety at work. Gender issues and individual differences influencing work ability are included.