

Employment Observatory

MISEP BASIC INFORMATION REPORT FINLAND 1996

Employment & labour market



Employment & social affairs



European Commission

**Mutual Information System
on Employment Policies (MISEP)**

Basic Information Report

FINLAND

Institutions, Procedures and Measures

1996

European Commission

CEE: v/96

This document has been prepared for use within the European Commission. It does not necessarily represent the Commission's official position.

Articles and texts appearing in this document may be reproduced freely in whole or in part, providing their source is mentioned.

Published in January 1996
Reprinted in February 1997

On the basis of an agreement of the directors-general for employment, the European Commission created a Mutual Information System on Employment Policies (MISEP) in 1982.

The system operates with a network of correspondents from the departments responsible for employment policy in the Member States or from employment services. The centralised secretariat is fully accountable to the Commission.

MISEP was set up by the Commission in response to a need voiced by the delegations of the Member States in the Council for a mutual information exchange on developments in national employment policy measures and structures. The definition of MISEP's objective is to gather, synthesise, translate and disseminate relevant information in the Member States, serving each of the responsible national ministries and agencies in their daily decision-making, and aiding the Commission in its co-ordinating role at Community level.

The Basic Information Reports describe the structure and content of employment policy in each Member State. The reports all have a common structure and contain basic information which is essential for an understanding of how employment policies are conceived and implemented.

The material in this Basic Information Report has been provided by the Finnish correspondent and is correct as of 1 December 1995. It is intended as a guide and an explanation of national policy measures in force at that date in Finland; it is not a substitute for the corresponding legal texts. It is designed to describe the policies and practices in Finland without value judgements either on the part of the Commission or the national correspondent.

While these reports will be updated periodically, further information and regular updating of measures are published in the system's quarterly policy bulletin, "inforMISEP Policies".

This document was produced on behalf of the European Commission by the Swedish MISEP-correspondent and the I.A.S.

It can be ordered from:

MISEP Secretariat
I.A.S. - Institute for Applied Socio-Economics
Novalisstr. 10
D-10115 Berlin

Tel. +49 - 30 - 2 82 10 47

Fax +49 - 30 - 2 82 63 78

BENCHMARK STATISTICS

| | |
|--|---------------------|
| THE LAND | |
| Area | 338,145 sq.km |
| THE PEOPLE | |
| Resident Population (1994) | 5,098,427 |
| PRODUCTION | |
| Gross Domestic Product (at market prices) | FIM 512,000 million |
| LABOUR MARKET | |
| Working age population (15-74 years) | 3,824,500 |
| of which | |
| - women (15-74 years) | 1,933,100 |
| - men (15-74 years) | 1,891,400 |
| Labour Force (15-74 years) | 2,479,800 |
| - of which women | 1,177,100 |
| Activity Rate (15-74 years) | 64.8% |
| - for women | 60.9% |
| - for men | 68.9% |
| Employment (15-74 years) | 2,024,100 |
| of which: | |
| - women | 976,000 |
| - under 25 years | 173,300 |
| by Sector: | |
| - agriculture, etc | 167,400 |
| - manufacturing | 426,300 |
| - construction | 113,500 |
| - tertiary sector | 1,309,900 |
| - other | 7,000 |
| Total | 2,024,100 |
| Unemployment | 455,800 |
| of which | |
| - women | 196,300 |
| - under 25 years | 87,700 |
| Unemployment Rate by Education | |
| - secondary education (1994 I Quarter) | 20.2% |
| - higher (1994 I Quarter) | 7.8% |
| - other (1994 I Quarter) | 25.6% |
| Total (1994) | 18.4% |
| Registered Unemployment February 1995 | 480,099 |

CONTENTS

| | Page |
|--|----------|
| Chapter I | |
| Institutions | 1 |
| 1. Labour Market Administration | 1 |
| 1.1 Structure of the organisation and decision making | 1 |
| 1.2 Targets and their realisation | 4 |
| 1.3 International contacts | 4 |
| 1.4 Personnel | 5 |
| 1.5 Budget | 5 |
| | |
| Chapter II | |
| Legal Framework and Procedures | 7 |
| 1. Legal Instruments | 7 |
| 1.1 Nature of legal system governing work and employment | 7 |
| 1.1.1 The constitution | 7 |
| 1.1.2 Contract of employment | 7 |
| 1.1.3 Labour law | 8 |
| 1.1.4 Collective agreements | 9 |
| 1.1.5 Common law | 9 |
| 1.1.6 Custom and practice | 9 |
| 1.1.7 European Community Primary and Secondary Legislation | 9 |
| 1.2. Labour and Employment Legislation | 9 |
| 1.2.1 Employment and conditions of employment | 9 |
| 1.2.2 Payment of wages | 11 |
| 1.2.3 Safety at work | 11 |
| 1.2.4 Equality of employment | 12 |
| 1.2.5 Industrial relations | 13 |
| 2. Labour Market Institutions and Processes | 13 |
| 2.1 Collective bargaining | 13 |
| 2.2 Negotiation patterns and arbitration agencies | 14 |
| 2.3 Labour Court | 15 |
| 2.4 Equality Ombudsman | 15 |
| 2.5 Trade Unions | 16 |
| 2.6 Employer Federations | 16 |
| 2.7 Worker Participation | 17 |
| 3. Social Security Benefits | 17 |
| 3.1 Introduction | 17 |
| 3.2 Unemployment Benefit | 18 |
| 3.2.1 Eligibility | 18 |
| 3.2.2 Contribution conditions | 19 |
| 3.2.3 Substantial loss of work | 19 |
| 3.2.4 Disqualifications | 19 |
| 3.2.5 Duration of benefit | 20 |
| 3.2.6 Requalifying | 20 |
| 3.2.7 Rates of unemployment benefit | 20 |
| 3.2.8 Short-time workers | 20 |
| 3.3 Pay-related Benefit | 21 |
| 3.4 Applying for Unemployment Support | 21 |
| 3.5 Decisions and appeals | 21 |
| 3.5.1 Decisions | 21 |
| 3.5.2 Appeals | 22 |
| 3.5.3 Insurance Court | 22 |

| | Page |
|---|-----------|
| 4. Matching Labour Supply and Demand | 22 |
| 4.1 Placement and training | 22 |
| 4.2 Private employment agencies | 24 |
| 4.3 Geographical mobility | 24 |
| | |
| Chapter III Measures | 25 |
| 1. Overall Measures | 27 |
| 2. Employment Maintenance | 37 |
| 3. Aid to the Unemployed | 39 |
| 4. Training, Further Training, Retraining and Occupational Mobility | 47 |
| 5. Job Creation | 53 |
| 6. Special Categories of Workers | 61 |
| 7. Placement | 65 |
| 8. Miscellaneous | 71 |
| | |
| Chapter IV Information and Research | 75 |
| 1. Labour Market Statistics | 75 |
| 1.1 Labour force survey (LFS) | 75 |
| 1.2 Employment statistics | 75 |
| 1.3 Employment service statistics | 75 |
| 2. Labour Market Research | 76 |
| 3. Working Environment Research and Development | 76 |
| | |
| Appendices | |
| Appendix 1: Abbreviations | 78 |
| Appendix 2: National Correspondents | 79 |

CHAPTER I INSTITUTIONS

1. Labour Market Administration

1.1 Structure of the organisation and decision making

The Council of State is divided into ministries each with independent administrative functions. For the purposes of regional administration Finland is divided into counties, while local administration is mainly in the hands of municipal authorities.

The Ministry of Labour directs and supervises the operation of the entire labour market administration. The Ministry defines the focal points of national employment policy. It prepares the ground for legislative activity by Parliament and the Council of State. It is responsible for the results-oriented management of the administration and issues binding administrative norms.

The Ministry allocates resources for the implementation of employment policy to the Labour District Offices on an annual basis. The labour districts are responsible for the planning and implementation of regional employment policy. This is done in co-operation with other regional authorities, the municipalities and organisations of industry and commerce. Thus decision making regarding the implementation of employment policy is delegated to the labour districts and the local employment offices.

The Ministry of Labour is headed by the Minister of Labour. The Minister of Labour bears principal responsibility for matters belonging to the Ministry's sphere of authority, the Ministry of Health and Social Affairs, for instance, ruling on matters pertaining to safety and health. The officials of the Ministry of Labour have decision making powers over less important issues. Thus decision making powers have been delegated to the Secretary-General, his deputy and the directors and the heads of operating units.

The highest civil servant is the Secretary-General who is appointed for five years. It is the duty of the Secretary-General to assist the Minister in managing, co-ordinating and supervising the functions of the five divisions of the Ministry and to participate in the planning, realising and supervision of far-reaching or otherwise important matters.

The special adviser substituting the Secretary-General supervises extensive projects related to the development and planning of the Ministry and the entire labour market administration and is head of the planning secretariat within the Ministry.

The Directors of the divisions manage, supervise and develop measures belonging to the scope of the division. The Ministry has five divisions: the administrative division, the division for working environment, the occupational safety and health division, the employment services division and the employment division.

Offices and Institutes under the Ministry include the National Conciliator's Office, regional and local labour market administration (13 labour districts and 186 employment offices), the Occupational Safety Inspectorates (eleven regional inspectorates, each of which includes an occupational safety office), the Labour Council, the Seamen's Service and the Labour Institute which arranges training in the realisation and management of services and in relevant general administration.

The Ministry is assisted by advisory boards and similar organs. The members of these organs include constituent groups from elsewhere in the administration, from municipal administration and the social partners.

Non-governmental labour market organisations do not participate in the decision making procedures of the labour market administration themselves, but all important issues are discussed with the organisations before decisions are taken. The labour market administration has several tripartite organs at all levels of administration.

The Council for Labour Affairs is the highest tripartite body assisting the Ministry of Labour. It makes proposals and issues statements to the Ministry on labour market policy issues of fundamental importance. The Council is presided over by the Minister of Labour.

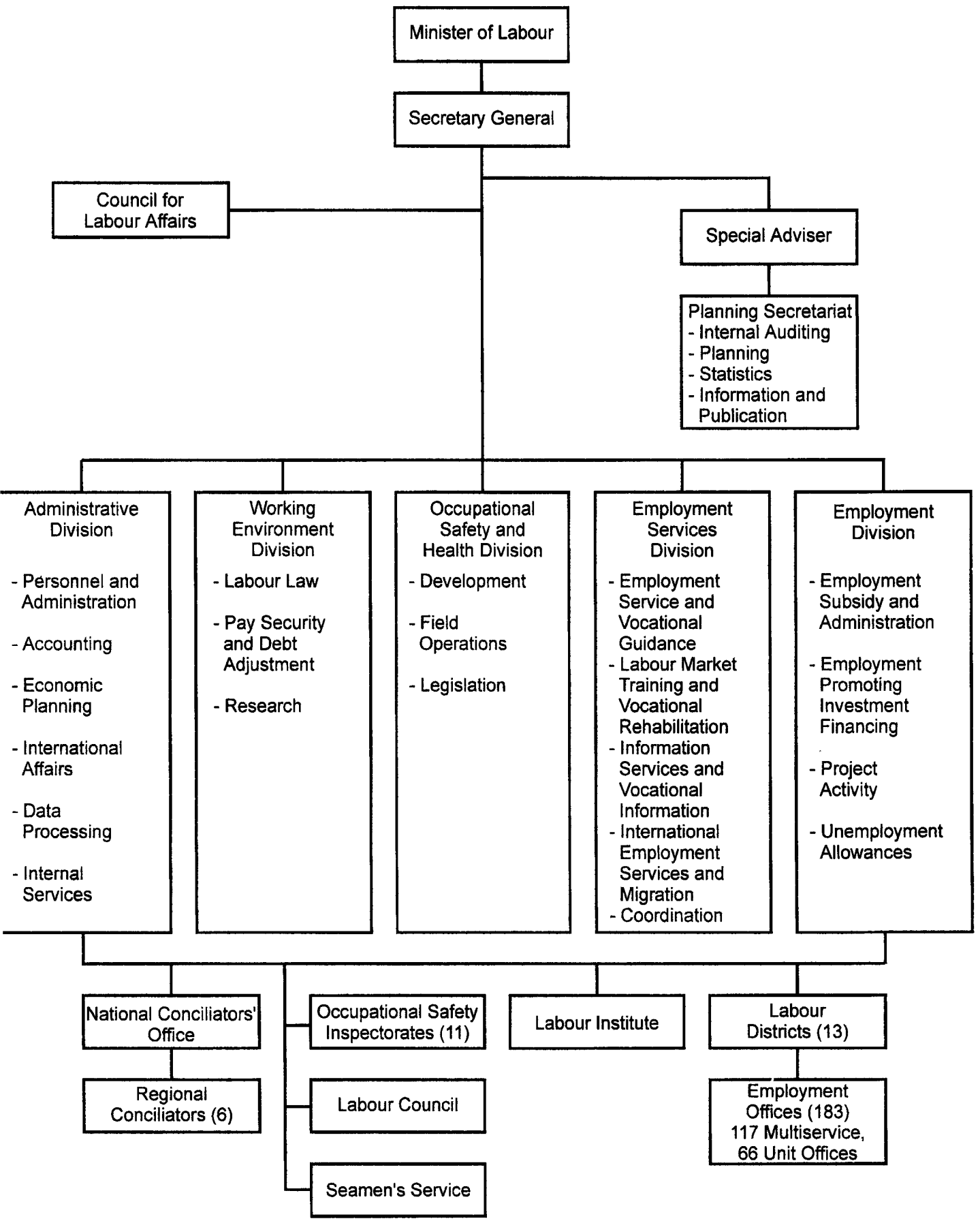
The Advisory Board on Labour Protection within the Ministry handles questions of principle concerning labour protection, the harmonisation and promotion of labour safety and development of co-operation in this area.

The Advisory Board on Manpower Policies makes proposals and issues statements to the Ministry on matters concerning employment services, the management of employment and labour market policy.

The Ministry is also assisted by a Board on Wage Statistics in the Forestry Sector, the Advisory Board on Civilian Service, the Advisory Board Drafting Occupational Safety Provisions, the Advisory Board on Refugees and Migration Affairs, the Advisory Board on Research Policy in Working Life, the Advisory Board for Labour Protection in the Chemical Sector, the Advisory Board on Seamen's Affairs, the Advisory Board for Wage Security and the Finnish Advisory ILO Committee.

According to the Decree on District and Local Administration of Labour Affairs (80/73, 112/88), each labour district administration is assisted by a tripartite Labour District Committee. A tripartite Labour Commission is assigned to each employment office. The central function is to make statements to the Social Insurance Board or the trade union unemployment fund whether the labour market policy conditions for the payment of unemployment security benefits have been met.

Organisation of the Finnish Labour Administration



1.2 Targets and their realisation

Government planning is done for a four-year term, of which the first year serves as a budget proposal. The planning system is supported by results budgeting and a monitoring system.

The government programme (April 1995) states that the main goal of economic policy is to halve unemployment during the government's term of office. The government's economic policy seeks to support growth and reduce unemployment and to create the necessary conditions for a low real interest rate. The government is intensifying its labour market policy measures by increasing the resources for managing the employment situation. The government is committed to helping to bring about collective agreements that take employment aspects into consideration. In agreement with the social partners labour legislation will be reformed to eliminate rigidities which are deemed to prevent employers from recruiting new employees and the unemployed from finding work.

The key areas of activity of the Ministry of Labour seek to improve the functioning of the labour market and to promote quality in working life. The labour market administration tries to achieve its targets by various labour market policy measures such as job creation, labour market training, rehabilitation, placement, information services, occupational guidance, improving the working environment and conditions, and developing labour legislation.

The improvement of the functioning of the labour market administration is also a priority. The services of the labour market administration will be intensified in order to guarantee more individual employment services and improved assessment of service needs. In accordance with its service principles the labour market administration seeks to assist the labour market in achieving full employment in a productive and safe working environment that offers adequate job satisfaction.

There are four basic strategic objectives for the labour market administration:

- to reduce unemployment, particularly by alleviating long-term and youth unemployment;
- to support the unemployed and help to maintain and develop skills and abilities;
- to increase productivity by improving flexibility and quality in working life;
- to safeguard the service capacity of the labour market administration at all times.

The State Council and the Ministry of Finance monitor each ministry with the help of a results budget. In the management by results system an effort is made to achieve a results-oriented attitude by fixing focal points and subjecting them, their impact and resource allocation to critical evaluation. The Ministry of Labour sets its targets using parameters appropriate to the amount and allocation of employment services, management of labour and labour protection. Target negotiations are carried out annually between the Ministry and the district organisations. Assessment is performed at regular intervals.

1.3 International contacts

The Ministry of Labour has a unit for international affairs which is responsible for co-ordinating the links between the various divisions and their respective counterparts and international organisations abroad. In addition to established relations within the European Union, of which Finland has been a Member State since January 1995, the Ministry of Labour collaborates closely with the

Nordic Council, The Council of Europe, the OECD, the ILO, the IOM and the World Association of Public Employment Services (WAPES).

The labour market administration participates fully in the implementation of the EURES labour exchange system and Finland is part of the Nordic free labour market. At the ministerial level these exchanges are managed by the unit for international employment services and migration.

The labour market administration has established co-operation programmes with the labour market administrations in the Baltic States. Co-operation with the neighbouring areas in the Russian Federation on the basis of a co-operation agreement between labour ministries of Finland and Russia is carried out in the Murmansk Region, the Karelian Republic, the Leningrad Region and the City of St. Petersburg.

1.4 Personnel

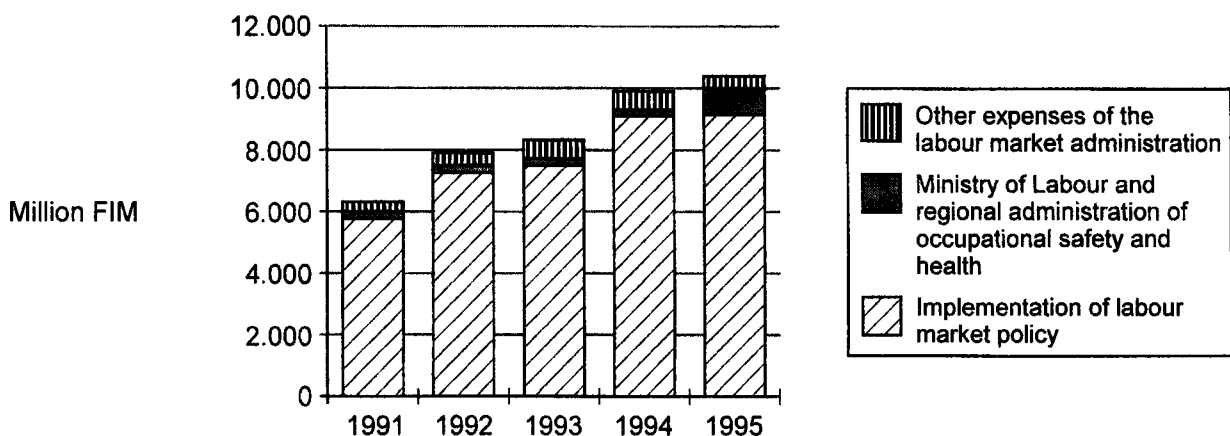
The staff of the labour market administration numbered (end December 1994) 3,672 civil servants, of which 374 work in the Ministry, 2,825 in the labour districts and 473 in the occupational safety directorates.

The personnel plan (1992-1997) of the Ministry of Labour spells out the objective to increase the number of women in management to achieve the objective of 40% of women at different levels.

1.5 Budget

In 1995 the operational budget for the labour market administration is FIM 10,395 million, which represents about 5.7% of the government budget.

The Budget of the Labour Market Administration 1991-1995



CHAPTER II LEGAL FRAMEWORK AND PROCEDURES

1. Legal Instruments

1.1 Nature of legal system governing work and employment

The legal framework has two separate categories: *laws on employment* and *labour legislation*.

The most important *laws on employment* are the Employment Act (275/87) as amended, the Employment Services Act (1005/93) and the Act on Labour Market Training (763/90) as amended. The main Acts on labour legislation are the Contracts of Employment Act (320/70), the Collective Agreements Act (436/46), the Act on Codetermination in Companies (725/78) and the Act on Mediation in Labour Disputes (420/62). The Protection of Labour Act (299/58) and the Occupational Health Care Act (743/78) are the main Acts regulating health and safety at the workplace.

1.1.1 The constitution

Instead of a single constitution Finland has a number of parliamentary acts of a constitutional status, i.e. acts which can be changed only via the procedure of constitutional amendment. The most important of these acts is the Constitution Act of 17 July 1919.

The Constitution Act, subsection 6 (2), states that the labour of Finnish citizens is under the special protection of the State. The Constitution Act further states that the authorities are, if necessary, obliged to provide a Finnish citizen (EEA citizen) with the opportunity to work, unless otherwise prescribed.

The right to strike is an established part of Finnish labour law. Although not a fundamental right, it is, through interpretation, derived from subsection 6 (2) of the Constitution Act.

1.1.2 Contract of employment

The core concept in Finnish labour law is the employment relationship. Most of the provisions of individual labour law are contained in the Employment Contracts Act (320/70), which is considered the foundation of labour law. The contractual relationship between an employer and an employee is based on an employment contract. An employment contract is defined as one in which a worker engages to work for an employer under the latter's direction and supervision, in return for a wage, salary or other remuneration. There are no requirements as to the form of the contract. The employer is obliged to inform the worker in writing of the terms of the employment contract if the employment relationship lasts at least a month. An employment contract can be concluded for an indefinite period or for a fixed term.

If the criteria for employment relationship are not met, the person performing the work is considered to be self-employed.

The Employment Contracts Act includes provisions concerning the duration of the contract, trial periods and personal obligation to work. The Act also stipulates the duties of an employee of which the most important are the obligation to perform the tasks assigned to him/her conscientiously and in accordance with the instructions given by the employer, and observation of the precautions required by safety at work legislation. Employers' obligations include the application of collective agreements and non-discrimination in employment. There are also detailed provisions on the employer's duty to pay wages, act in the interest of the health and safety of the employees, etc.

The Act contains provisions on suspension of the employment contract as well as terminating the employment relationship. The employer can only give notice on a contract if he has a justified reason. This may derive from the individual employee or the financial situation of the enterprise. The employer is entitled to give notice for financial and production-related reasons if demand has decreased significantly and the employee cannot be relocated or trained for new duties.

Provisions on the employee's right to maternity, paternity and parental leave and care leave are included in this Act. A pregnant employee is also entitled to special maternity leave before giving birth if her working conditions cannot be made adequately safe.

The Act also makes it unlawful and punishable for an employer to prevent an employee from belonging to or joining a lawful association. It further provides rights for employees to have meeting places, and sets out the rights of shop stewards.

1.1.3 Labour law

The employment relationship concept is used to define the scope of labour law itself. In the Finnish legal system labour law is defined as the branch of law relating to an employment relationship or, for the purposes of this relationship, to the parties thereto. Labour law contains elements of private and public law. According to the Finnish legal system the main subdivisions of labour law are the following:

1. The Law of Employment Terms which is concerned with the reciprocal rights and duties of employers and employees (mainly of a private law character). There is a further subdivision into (a) Law of the (individual) Employment Contracts; (b) the Law of Collective Agreements; and (c) the Law of Employee Participation.
2. The Law of Employee Protection which includes rules of law aimed at the protection of employees with regard to their lives, health, working capacity, personal development and other elements of their welfare. The main subdivisions are (a) the Law of Working Time Regulation; and (b) the Law of Occupational Safety and Health. The rules on employee protection are mainly of a public law character, but many of them contain a private law core.
3. The purpose of the rules of law on employees' social security is to address the various risks faced by employees. It accordingly includes provisions on industrial injury benefits, unemployment insurance, and employee pension plans. National pensions and health insurance go beyond the scope of labour law, since their coverage is not restricted to employees.
4. The Law of Labour Disputes is traditionally treated as a separate division of labour law.

1.1.4 Collective agreements

The right to bargain collectively is guaranteed through a system of collective agreements based on legislation. The Collective Agreements Act (436/46) regulates the statutory procedure for collective negotiation on the terms of employment and the sanctions for breaking collective agreements. A collective agreement is defined in the Collective Agreements Act (436/46) as any agreement concluded by one or more employers or registered associations of employers and one or more registered associations of employees concerning the conditions to be complied with in contracts of employment. Collective agreements are to be submitted to the Ministry of Labour. If an employment contract is in contradiction with the relevant collective agreement, the employment contract is deemed invalid in that respect. A collective agreement lays down the minimum terms to be observed in all future contracts.

Agreements have been negotiated at national, sectoral and local levels. Collective agreements are generally sector-specific; each sector has a single collective agreement covering the whole of Finland.

The Collective Agreements Act (436/46) enables the parties to draw up collective agreements which have certain statutory legal effects.

1.1.5 Common law

Non-existent.

1.1.6 Custom and practice

Custom and practice can have relevance within Finnish labour law system.

1.1.7 European Community Primary and Secondary Legislation

Both kinds of Community law are binding and take precedence over national law.

1.2. Labour and Employment Legislation

1.2.1 Employment and conditions of employment

The Employment Act (275/87)

The purpose of the Employment Act (275/87) is to provide (EEA) citizens with job opportunities. The objectives of productive employment are set out in the Act and in the Employment Services Act (1005/93). Section 2 of the Employment Act (275/87) states that the aim is to achieve full employment, which is to ensure the citizens livelihood and that this is to be based on a free choice of employment and productive work.

Under a reform of the Employment Act (1669/92) that came into force at the beginning of 1993, the obligations to employ young people and long-term unemployed were repealed. The reform aimed to enable more active and flexible labour policies to be pursued. The Employment Decree (130/93) contains a number of provisions on special measures regarding the management of employment, allowing employees to interrupt unemployment and improving their chances of obtaining permanent employment. By virtue of the decree, benefits can be paid out of government funds to both employers and the unemployed i.e. wage-related employment subsidies. An amendment to the Decree (273/95) simplified the subsidy system considerably and introduced more flexibility in the choice of implementation.

The Employment Services Act (1005/93)

The new Employment Services Act (1005/93) came into force at the beginning of 1994. It stipulates that manpower services must intensify activating labour market policy measures and improve the functioning of the labour market. According to the Act government is to organise and develop manpower services on the basis of customers' needs and free choice, with the aim of promoting vocational development, job placement, employment and permanent presence on the free labour market, and the availability of labour for employers.

Public employment services include labour exchange services, vocational guidance, labour market training, training and vocational information, and vocational rehabilitation. The services are free to the individual clients, and employers are not charged for labour exchange services.

The Employment Services Act (1005/93) lifted the public monopoly on manpower services and abolished the permit procedure, and released labour recruitment from regulation.

The Act on Labour Market Training (763/90)

The aim of the Act is to create planned training systems for the quantitative, qualitative and regional needs of working life. The Labour Market Administration is responsible for the financing of labour market training, while responsibility for planning and implementation is delegated to the regional and local levels. The labour market administration purchases training from adult training centres, other vocational institutions, institutions of higher education and private suppliers of training. The Act contains provisions on how to arrange labour market training and on the social benefits to which students are entitled.

Working Hours Act (604/46)

The Act is a general law which is replaced in many sectors by specific laws concerning working hours. Regular working hours are restricted to a maximum of eight hours a day and forty hours a week: the Act lists the enterprises and occupations where an employer may arrange for regular working time to be calculated over extended periods. In period work, regular working time is deemed to be either 80 hours for periods of two weeks, or 120 hours for periods of three weeks.

Annual Holidays Act (272/73)

The Act prescribes the employees' right to paid annual holiday and in some cases to holiday compensation equivalent to paid holiday. The provisions of the Act are unconditional; any contract that reduces the employee's entitlement is null and void. The social partners may agree on entitlements that go beyond the Act, however.

Study Leave Act (273/79)

An employee whose main employment with the same employer has lasted for a total of at least one year, in one or several periods, is entitled, under certain statutory conditions contained in section 4 of the Study Leave Act, to a total of at most two year's educational leave in the course of five years' service with the same employer. Educational leave can also be granted for studies abroad.

The purpose of the Study Leave Act (273/79) is to use educational leave to improve the training and educational opportunities of the workforce. The Study Leave Act (273/79) and Study Leave Decree (864/79) and the Decree on Financial Aid to Students (287/72) contain general provisions on financially supported educational leave. Exceptions to the legislation can be made by collective agreement (section 13 of Study Leave Act 273/79).

1.2.2 Payment of wages

Labour legislation plays only a minor part in work remuneration as the collective bargaining system regulates wage determination, including minimum wages.

The Pay Security Act (1587/92) is applied when the payment of a worker's due wages has not been effectuated due to the employer's bankruptcy or insolvency. The payment of wages is assured by the State through the pay security system. Wage security is the concern of the Ministry of Labour and the district offices. In paying wage security to the employee the authority simultaneously requires the employer to repay the amount concerned to the government at 16% interest. Ultimately the employers finance the system collectively, as every year the central fund of the unemployment funds pays the government retroactively the difference between the sums paid out in wage security and those recovered from employers.

The Seamen's Act (423/78), Seamen's Hours of Work Act (296/76) Annual Holiday Act (433/84) and Seamen's Pay Security Act (927/79) stipulate the special terms concerning seamen.

1.2.3 Safety at work

The Labour Protection Act (299/58) is a framework law that lays down the principles of protection against accidents and health hazards at work. The Act contains provisions on employees' obligations, occupational health and conditions of work at workplaces. It strongly recommends co-operation between employers and employees.

The implementation of co-operation at the work place level on the basis of the Act on the Supervision of Labour Protection and Appeal Procedure in Matters Concerning Labour Protection (131/73) is the responsibility of the employer, who bears ultimate responsibility for the safety and health of his/her employees.

Protection of Young Workers Act (998/93)

Special provisions on young employees are contained in this Act, which covers employees under the age of eighteen. The Act allows the regular employment of a young person over the age of fifteen who has completed compulsory schooling. Persons over fourteen years of age can be taken on for light work that will not harm their health. The Act also contains provisions on young workers' working hours.

Occupational Health Care Act (743/78)

This Act contains provisions requiring the employer to place the workplace under constant surveillance and also to make plans aimed at achieving a safer and healthier workplace. The employer must arrange health checks in the case of work involving a health hazard. The Act also requires the employer to monitor whether a disabled employee can cope with the allotted work.

1.2.4 Equality of employment

The Contracts of Employment Act (320/70; section 17) and the State Civil Servants Act (755/86) contain comprehensive provisions according to which no person may be discriminated against on grounds of parentage, religion, age, political or trade union activity, or other comparable reason in connection with recruitment for work or appointment to a post, or during service.

For local government officers the recommendation for official regulations approved by the Commission for Local Authority Employers includes the same provisions.

At all events, the principle of equality between all citizens prescribed in Section 5 of the Constitution Act is binding on both state and municipal authorities.

Sexual Equality Act (609/86)

The prohibition of either direct or indirect discrimination on grounds of sex is enacted in the Equality Act (609/86). This Act was amended in 1992 (624/92), when discrimination based on pregnancy or parenthood was prohibited, and amended again in 1995 (206/95).

The purpose of the Act is to promote gender equality and to prevent discrimination and thus to promote the position of women in working life. The Act includes provisions to promote equality, to ban discrimination and secure recourse to the law. It also includes provisions on active promotion of equality: the authorities and employers have an obligation to promote equality in a goal-oriented and planned way. The renewed Act also contains a provision for 40% quotas of both sexes in government committees, advisory boards and the like.

The task of the Equality Ombudsman and the Equality Board is to see that the law is observed and to promote its implementation. It is the duty of the Equality Board to make statements to courts in cases involving compensation for discrimination on the grounds of sex.

1.2.5 Industrial relations

Parties to a collective agreement may not initiate a labour dispute affecting the collective agreement as a whole or one of its provisions whilst it is in force. The organisations and individuals subordinate to the parties are obliged to supervise the maintenance of labour market peace. An individual employer and associations of employees and employers can be sentenced to a compensatory penalty for violating the obligation to maintain labour market peace.

After agreements have expired the employees can put pressure in the employer through strike action or other labour dispute measures. The employer can resort to a lockout. Conflicts of interest are dealt with by a permanent labour dispute conciliation system. "Legal" disputes, i.e. those arising out of the violation of collective agreements, can be referred for settlement by the Labour Court. Labour disputes not connected to collective agreements are dealt with before at the general courts.

2. Labour Market Institutions and Processes

2.1 Collective bargaining

Free collective bargaining is the principle on which industrial relations are based. The collective bargaining system has two main functions: collective agreements prescribe the minimum benefits enjoyed by workers, while at the same time ensuring the absence of industrial disputes for the period of their validity.

The collective bargaining procedure between the labour market organisations is not governed by statutory provisions. In the private sector, the negotiations and the procedures applied are mainly based on established practice. The public sector negotiations and their procedures are subject to somewhat more detailed regulation by provisions in the so-called principal agreements, but even the clauses on bargaining to be found in the principal agreements only form a fairly loose framework for the procedure.

Collective agreements are made at various levels. Agreements made between central organisations have frequently been based either on the central incomes policy agreement or some other type of mutual agreement. These agreements are not actual collective agreements, but they provide the framework for the contents of collective agreements at sectoral or union level. Central organisations have also signed agreements on special issues (such as codetermination procedures, protection against dismissal, labour protection, the position of shop stewards, etc.) which are valid for an indefinite period, not being dependent on current collective agreement periods. These agreements are observed as parts of collective agreements.

Most collective agreements are dealt with at union level. There are about 600-700 such agreements in force. The collective agreements cover approximately 90% of the labour force either through the collective agreements or via the provision on the universal validity of the Contracts of Employment Act.

Local agreements regulating the terms of employment at the work place can be entered into independently by an employer and the branch of the union at that workplace. They can also be

based on the contractual provisions contained in national agreements between the unions which entitle or oblige the parties to make local agreements. In the latter case, the local agreements complement the union agreements and become parts thereof.

There is no statutory minimum wage. Minimum terms of employment, including pay, are set by collective agreements. If a collective agreement is in force in a given sector, all employers are bound to comply with the pay and other conditions of work terms agreed to in the sectoral collective agreement. This follows from the Act on Employment Contracts (320/70 section 17). However, many sectoral collective agreements include a provision that organised employers may agree locally on derogations from the agreement.

From 1968 to 1992 collective agreements were generally based on a centralised incomes policy agreement. The parties to the agreements were the workers' and employers' central organisations. The government called for moderate wage settlements and promised reforms in labour and social policy. Incomes policy agreements have typically been agreed for a two-year period. Since 1992 collective bargaining has been decentralised.

2.2 Negotiation patterns and arbitration agencies

A collective agreement can be concluded by a registered employees' association (union or a branch of a trade union), and either by an individual employer or a registered employers' association. To be able to conclude collective agreements, an association must have the purpose of representing the interests of either the employer or the employees in industrial relations.

The parties to a collective agreement may include binding clauses to be applied in contracts of employment and in employment relationships. An employer bound by a collective agreement is required to adopt its provisions as minimum conditions. Under Finnish law the clauses in collective agreements must also be observed in the employment of non-unionised workers unless they are specifically excluded under the terms of the agreement.

The Collective Agreements for Local Government Officers Act (669/79) states that an officer must not, without very good cause, be prevented from participating in negotiations on collective agreements as the representative of an association of local government officers.

The Collective Agreements for State Civil Servants Act (664/70) lists the issues which cannot be settled by collective agreements. Such issues include the organisation of offices and establishments, the creation or abolition of a post, the qualification requirements for a post, grounds for promotion, a civil servant's duties, and pensions. Corresponding provisions are found in the Collective Agreements for Local Government Officers Act (669/79).

Disputes over rights in labour questions may be settled by several official organs. To a certain extent, such disputes may also be referred to procedures agreed to by the parties – either by the parties to the dispute, or by parties to a collective agreement binding the parties to the dispute. Disputes over interests, however, are in principle settled by the parties themselves. Most collective agreements provide for a grievance procedure for the settlement of disputes concerning the application of the agreement in question.

Disputes which would otherwise come under the jurisdiction of the Labour Court may be referred to arbitration. Labour Court proceedings can only be replaced by arbitration by virtue of an arbitration clause in a collective agreement. Arbitration may also be substituted for civil procedures at regular courts.

Labour law disputes concerning the following matters lie within the jurisdiction of regular courts as responsibility has not been assigned to a specific organ:

- interpretation of individual employment contracts;
- claims based on individual employment contracts or on legislation pertaining to such contacts;
- individual claims based on collective agreements in as far as such disputes are not to be tried by the Labour Court;
- overtime compensation, holiday pay, etc. based on legislation on hours of work, etc. and
- prosecutions for violation of labour legislation (employment contracts, hours of work, annual holidays, health and safety, etc.) and claims for damages resulting from such violations.

For the conciliation of labour disputes between employers and workers as well as for the promotion of their relations, the public administration includes two full-time National Conciliators. One of these posts may be left vacant. The National Conciliator is appointed for a term of four years.

According to the Labour Disputes Act (420/62) anyone intending a work stoppage or its extension due to a labour dispute has to give advance notice to the relevant conciliator and to the other party. This is to allow sufficient time for the mediation.

For the resolution of local labour disputes, Finland is divided into six districts, each with a part-time district conciliator appointed for a term of three years.

2.3 Labour Court

The Labour Court was established by the Labour Court Act (646/74). Disputes within the jurisdiction of the Labour Court are of two principal kinds: interpretation of collective agreements, and breaches of obligations under such agreements. Decisions of the Labour Court are often declaratory judgements not needing enforcement. Decisions involving compensatory fines are legally enforceable.

Suits at the Labour Court are usually brought by and against the parties to the collective agreement in question.

2.4 Equality Ombudsman

The Equality Ombudsman monitors the observation of the Sexual Equality Act (609/86) and sees to the observation and promotion of the law by taking initiatives and giving instructions and advice in cases where the law is applied. The Equality Ombudsman is also empowered to inspect a work place if there are grounds for the suspicion that the employer has violated the Equality Act or that the obligations decreed by the Act have not been observed.

2.5 Trade Unions

The Finnish Constitution guarantees freedom of association and right to set up trade unions. The freedom of association is further safeguarded by the provisions of the Employment Contracts Act. Union density has risen rapidly since the 1960s. Approximately 72% of the labour force are trade union members. If the retired, student and non-paying members of the unions are included, the figure is almost 90%. The level of unionisation is slightly higher in the public sector than in the private sector.

There are three central trade union organisations and almost 100 trade unions. Their total membership is approximately two million.

The *SAK, Central Organisation of Finnish Trade Unions* was founded in 1907. The SAK represents wage-earners in industry, private services and the public sector. There are 24 member unions with 1.1 million members. The *STTK, Finnish Confederation of Salaried Employees*, founded in 1947, was reorganised in 1993. It represents salaried employees in industry, private services and the public sector. The STTK has 600,000 members. The *AKAVA, Confederation of Academic Professionals in Finland*, is the central federation of unions for graduate employees. The AKAVA has approximately 310,000 members.

2.6 Employer Federations

Employers are organised in four major central organisations. Two of them represent the private sector, two represent the public sector. There are also three smaller employers' organisations. The *TT, Confederation of Finnish Industry and Employers*, consists of 27 member associations representing manufacturing industries, transportation and the construction sector. Approximately 6,000 member-companies employ 420,000 wage-earners. The *LTK, Employers' Confederation of Service Industries*, has eight member associations and 5,800 member-companies employing 280,000 people working mainly in shops, banks, hotels, restaurants, insurance companies and other private service occupations.

The *KT, The Commission for Local Authority Employers*, promotes the interests of municipalities and municipal federations on the labour market. The municipal sector agreements cover 455 municipalities and 260 federations, employing 420,000 people. The *VTML, State Employers Office*, is a department of the Ministry of Finance. It deals with general labour market and personnel policy and signs collective agreements for 140,000 officials and employees employed by the state.

The *LTY, Employers' Association for Public Enterprise*, was founded in 1993 as the employers' organisation for privatised state departments and institutions. It signs collective agreements for 58,000 employees. The *KiSV, Negotiation Committee of the Finnish Lutheran Church*, represents the parishes and parish federations of the Lutheran Church, which employ 19,000 people.

The *MTL, Federation of Agricultural Employers* has about one thousand member companies, employing 10,000 people working within agriculture.

2.7 Worker Participation

Codetermination in Companies Act (725/78)

This Act stresses co-operation within the line organisation between foremen and their subordinates. The aim of codetermination is both to increase the employees' opportunities for affecting decision-making relating to their work and workplace and to develop the company's operation and working conditions. The Act applies to companies regularly employing at least 30 persons. Matters dealt with in codetermination procedures include the work performed and working conditions, employment relations and changes in them, the impact on staff of changes in ownership, training, rationalisation and staff activities.

An amendment to the codetermination act entered into force in 1991 and extended the rights of employees in large concerns with over 500 employees to participate and obtain information.

Workforce Fund Act (814/89)

This Act creates the legal prerequisites for workforce funds to be established in companies. The aim of the workforce funds is to intensify co-operation within the company, improve competitiveness and promote economic democracy. A fund can only be established at the discretion of the employer. The workforce fund is owned by the workforces which also decides on the administration of the company's bonuses. A fund can be set up in any company employing at least 30 people. The profit bonuses are divided into personal fund dividends, which as a rule can be withdrawn ten years after joining the fund.

The Act on Personnel Representation in the Administration of Undertakings (725/90) gives staff the right to participate in management with respect to issues concerning the companies' business operation, finances and the position of staff. The act applies to employers regularly employing at least 150 people.

3. Social Security Benefits

3.1 Introduction

The National Pension Insurance legislation comprises the National Pensions Act (347/56), the Pensioners' Housing Allowance Act (591/78), the Survivors' Pension Act (38/69), the Veterans Pensions Act (119/77). All those resident in Finland are eligible for the national pension, whereby non-citizens are required to have lived in Finland for a continuous period of at least five years immediately before the pension commences.

The term "national pension" covers four different benefits: the old-age pension, invalidity pension, individual early retirement pension and unemployment pension. National pension consists of a basic amount and a basic supplement. Entitlement to the basic supplement as well as its rate are mainly dependent on the claimant's employment pension, if any. Pension may be accompanied by such additional components as housing allowance, the veterans' supplements, the pensioners'

care allowance and child supplement. The basic amount and the basic supplement are taxable income. The other pension components are tax free. The National Health Insurance Scheme (NSI) covers the following benefits: sickness allowance, maternity, paternity and parent's allowance, special care allowance, refunds of medical expenses, as well as occupational and student health care. NSI covers all those resident in Finland.

The unemployment benefit scheme consists of a basic unemployment allowance administered by the Social Insurance Institution (SII) and an earnings-related unemployment allowance administered by unemployment funds.

The implementation of unemployment-related social security measures is steered, supervised and developed by the Ministry of Social Affairs and Health, whereas the Ministry of Labour is the highest authority steering, supervising and developing Social Security for the unemployed as regards the employment policy aspects.

3.2 Unemployment Benefit

The basic unemployment allowance is governed by the Unemployment Allowances Act (602/84), which grants basic unemployment protection to Finnish residents, and the Labour Market Support Act (1542/93). Labour market support applies to those entering the job market for the first time and to those unemployed persons who have exceeded the maximum period (500 days) of entitlement to the basic or earnings-related unemployment allowance.

The unemployment allowances scheme is managed, supervised and developed by the Ministry of Social Affairs and Health, as the highest authority in matters relating to Social Security, and by the Ministry of Labour in matters relating to labour market policy.

3.2.1 Eligibility

Basic unemployment allowance is payable to all unemployed jobseekers aged 17-64 who are able and available for full-time work, provided that they are not eligible for the earnings-related unemployment allowance, that they have been registered with an employment office as a job-seeker for five days and that work or training is not available for them.

At the beginning of 1994 an additional "employment period" condition was imposed. This entails that the person has completed a 26-week period in remunerated work during the preceding 24 months at working hours of at least 18 hours a week. This may have been completed in several periods (for instance in the case of students).

Labour market support (Labour Market Support Act 1542/93) is paid to an unemployed jobseeker who does not fulfil the "employment period" condition or who has received the daily unemployment allowance for the maximum period (500 days).

For those entering the labour market for the first time the waiting period is three months before qualifying for labour market support, subject to means testing. A person entering the labour market after having completed vocational training and finding no work is not subjected to a waiting period for labour market support.

If an unemployed person who fulfils the "unemployment period" requirement reaches the age of 55 years before having received the unemployment daily allowance for the full 500 days, entitlement is extended and the allowance is paid until he/she reaches the age of 60. An unemployment pension may be paid to an insured person between 60 and 64 years of age who had been long-term unemployed. The person is required to have worked at least for five years during the last 15 years.

3.2.2 Contribution conditions

Residence in Finland is required for entitlement to unemployment insurance and the "employment period" condition must be met. Membership of an unemployment insurance fund for at least six months is required for earnings-related benefits. Earnings-related unemployment insurance is financed by the government (62.5%), the employers (32%) and the workers (5%). The basic unemployment benefit is entirely financed by the government through taxation.

3.2.3 Substantial loss of work

Severance payment

When a person has lost his/her job because economic or production related reasons have compelled the employer to cut the work force or to cease operating activity, he/she may be granted a severance payment. A person is not entitled to severance payment if he/she is eligible for an old-age pension, full disability pension, individual early retirement pension, veterans pension or a pre-retirement pension.

Severance pay is a non-taxable benefit. Its amount is determined by adding to a basic payment an amount calculated on the basis of tenure and monthly earnings. Payment is applied for at the local employment office.

Lay-offs

In the case of a temporary fall in demand, an employee can be laid off for a period of up to 90 days if the employer cannot reasonably provide him/her with other work or training suiting the employer's needs. Lay-off rights can be extended by collective agreement and under an agreement as referred to in the Codetermination in Companies Act (725/78).

The allowance is not paid if the employee's working time during the calendar week exceeds four fifths of the maximum time worked by a full-time employee in the relevant sector.

If an employee entitled to the earnings-adjusted daily allowance is laid off full time, he/she will at first receive a lay-off-related daily allowance for 15 days. This is 70% of the earnings-adjusted daily allowance and not less than the basic daily allowance with the child supplement.

3.2.4 Disqualifications

A person loses his/her right to unemployment benefit for a period of six weeks for having participated in the labour market less than six weeks during the previous six months, without an acceptable reason or for refusing suitable employment or training. The loss of entitlement is three weeks if the declined job offer was only for five days or less.

If the employee resigned or was dismissed by his/her own fault he/she is not entitled to benefit for eight weeks.

A person is not eligible for unemployment daily allowances if he/she does not fulfil the "employment period" requirement or is in receipt of an old-age, unemployment or disability pension or of daily sickness insurance allowance, rehabilitation allowance, maternity, paternity or parental leave allowance, or the supplementary part of the child care at home allowance.

3.2.5 Duration of benefit

The basic unemployment allowance (SII or earnings-related) is paid for 500 days (five days a week) and at the most during four consecutive calendar years.

A person whose right to receive earnings-related unemployment benefit has expired is entitled to receive the so-called "underlayed" labour market subsidy for 180 days without assessment of need and thereafter based on need.

3.2.6 Requalifying

If a person repeatedly refuses work and/or training without an acceptable reason or it becomes otherwise apparent that he/she is not willing to accept work or training, entitlement to the daily unemployment allowance is suspended until after eight weeks of employment or training.

3.2.7 Rates of unemployment benefit

The daily unemployment benefits are taxable income. Income over a fixed maximum reduces the full amount of the benefit by 80% of the amount earned above the ceiling. The unemployment benefit is either the daily basic amount (paid by the SII) or earnings-related benefit which is paid by the unemployment funds. The basic amount is FIM 118 daily (since 1.1.1995) for persons who have no dependent children under 18 years. For the unemployed with one child the amount is FIM 142 (including the child supplement); with two children FIM 153 and for three or more children FIM 163.

The rates for labour market support are the same, but are subject to means testing.

3.2.8 Short-time workers

From the beginning of 1994 those not doing a full working week (shortened week or day, part-time work, occasional full-time work lasting less than a month, auxiliary work or forms of employment that do not disqualify applicants from the unemployment allowance) are paid the adjusted unemployment allowance. Altogether 15,800 workers were on a reduced working week in 1994.

In the case of people with a part-time job or with a full-time job lasting less than a month, the working time is reviewed on a monthly payment basis. The daily allowance is not paid if the working time exceeds four-fifths of the maximum time worked by a full time employee.

People not working full time are paid a reduced daily allowance.

3.3 Pay-related Benefit

All wage-earners, civil servants included, can take out insurance against unemployment through voluntary unemployment insurance funds. The funds usually operate in association with trade unions, but as a separate, independent units.

Since the beginning of 1995 the self-employed have had the right to the basic daily unemployment allowance and the option of insuring themselves for earnings-related unemployment benefit. (amendment 1317/94 to the Unemployment Allowances Act 602/84). The self-employed are required to have been in self-employment for two years during the previous four years.

In order to qualify for earnings-related benefit an employee must have been a member of an unemployment fund for at least six months. The earnings-related daily allowance comprises a basic amount equivalent to the full basic daily allowance and an earnings-related supplement. The earnings-related unemployment benefit may not exceed 90% of former wages and is treated as taxable income.

Wage-related employment subsidies are used as a last resort in providing the jobless, especially the long-term unemployed and young people, with jobs; either as pathways to permanent jobs or to curb long-term unemployment by offering fixed-term employment. Before a subsidy can be granted the jobless person must have been registered at an employment office as an unemployed jobseeker for five months during the last six. The support may be granted to the unemployed person for work training (not under an employment contract) or to the employer as wage subsidy or to support arrangements for training, apprenticeship training and return to work training. This employment subsidy is for a maximum of 10 months (with the exception of the apprenticeship training). The amount of the support may vary between FIM 2,500 and 4,500 a month. The decision is at the discretion of the local employment office.

3.4 Applying for Unemployment Support

The unemployed person applies for unemployment benefit at a Social Insurance Institution local office after having registered at the local employment office as a jobseeker. Payment of the unemployment benefit starts after the person has been looking for a job for a total of five working days during at most eight consecutive calendar weeks.

3.5 Decisions and appeals

3.5.1 Decisions

The Social Insurance Institution sees to basic security and its local offices make decisions on payments after consulting the local employment office. The local employment office has a tripartite advisory board to assist in decisions. The 68 unemployment funds operated by the various professional and industrial sectors handle payments or earnings-related security.

3.5.2 Appeals

Unemployment security has a two-tier appeal system: the lower level is the Unemployment Protection Board and the upper level the Insurance Court.

Instructions on how to appeal are appended to all decisions concerning allowances. The recipient of the decision can appeal against the amount of the allowance, the length of the personal liability period, a rejection of the time limit, and decisions in which allowance entitlement is refused because social benefit is already been paid or for some other reason provided for separately in the Unemployment Allowances Act (602/84).

3.5.3 Insurance Court

Employee and employer organisations are represented in the Insurance Court. Appeals are made in writing.

4. Matching Labour Supply and Demand

4.1 Placement and training

The Employment Services Act (1005/93) stipulates that government departments are to intensify active labour market policy measures and improve the functioning of the labour market. According to the Act the State arranges and develops manpower services on the basis of customers' needs and free choice, with the aim of promoting vocational development, job placement, employment and permanent presence on the free labour market, and ensuring the availability of labour for employers. Employment services include placement, vocational guidance, labour market training, information services regarding training and occupational choices, and vocational retraining. No charge may be made for employment services aiming at directly placing a jobseeker in employment.

The employer is obliged to notify vacancies to the employment exchange. The obligation of notification applies to vacancies for which outside labour is sought. There are 183 local employment offices operating in the country. The number of clients in the employment offices has grown considerably in recent years. In order to serve larger numbers of clients, the organisation and methods of the employment offices have been updated by increasing the opportunities for self service and group services. The employment offices are now also offering the employers, for a fee, special recruitment, selection and staff development services alongside the basic free services.

Labour market training aims to match supply and demand. At the beginning of 1991 the labour market training system underwent fundamental reform with the passing of the new Labour Market Training Act (763/90). Labour market training is principally vocational training for adults who already have work experience. The aim of the Act is to create planned training systems for the quantitative, qualitative and regional needs of working life. To achieve this aim as effectively as possible the entire financing responsibility for labour market training was transferred to the Labour Market Administration, and training planning was devolved to the regional and local level.

A purchase system to meet the training demand will counterbalance the profitability requirements of training. The Labour Market Administration will purchase labour market training from various training providers, such as adult training centres, other vocational institutions, institutions of higher education and private suppliers of training. In this way the demand for training can be optimally met and training providers can operate on market lines.

The purchase of labour market training is financed by the Ministry of Labour. The Ministry of Labour allocates resources to its regional organisation: the district offices. When allocating resources certain criteria i.e. the unemployment rate and the extent of long-term unemployment are taken into account. The objectives are set with respect to the volume of training to be purchased and the post-training placement. The 13 district offices are in charge of training planning in their districts. Structural changes and the development needs of working life caused by the fluctuations in demand for and supply of labour are taken into account. Consideration is given to the training needs of jobseekers, also. Planning is done in co-operation with the county authorities, representatives of industry and business, and with the social partners. The decentralised planning system is a responsive and flexible scheme which meets the needs of the labour market economically and efficiently.

Labour market training may also be purchased jointly by the authorities and the employers. The training is planned and implemented in co-operation with the enterprise in question. Joint training purchases may be used for firms facing structural changes and as an alternative to lay-offs, recruitment training, etc.

Entrepreneurial training

In recent years labour market training has been extended to comprise various courses aimed at private entrepreneurship and self-employment as part of various occupational training programmes. Moreover, training courses have been arranged for jobseekers interested in entrepreneurship. Entrepreneurial training is also available to those who have already established their own enterprises so that they can combine training and work in their enterprises. In an increasing number of cases, the start-up grant is combined with training and the results have been very positive. In 1992 a total of 6,600 persons started entrepreneurial training; in 1991 the corresponding number was 2,700. About 10% of those who have completed labour market training have participated in entrepreneurial training.

In 1993 a special form of training to develop small and medium-size enterprises was started as a part of the labour market training (KEKO project). The objective of the project is to support the development activities of small and medium-size enterprises. In particular, product development, exports and marketing functions are targeted. The projects are intended for specially trained unemployed persons who are trained for the particular projects. This training aims to identify the most essential development plans for enterprises. The search for plans is carried out by the Ministry of Trade and Industry and by the district offices of regional investment funds. The purpose of the project is to create a national data collecting and handling system and a supportive information system.

The effectiveness of labour market training will be monitored by means of three extensive research studies. The research projects will concentrate on studying the effects at the individual, enterprise, and labour market levels. The quality of the training is being monitored by a separate follow-up study at regional and local levels.

Vocational guidance

Vocational guidance services help to solve questions relating to career choice and professional development. Vocational guidance by psychologists is available in 120 employment offices. The approximately 250 vocational guidance psychologists handle about 45,000 clients annually. Half of these clients are young people. In recent years the adult clientele has increased considerably. This has also brought health-related factors into consideration in these services.

Vocational guidance is also provided by study councillors in comprehensive schools with the assistance of the vocational guidance officers of the labour market administration.

Information services

Information services concerning training possibilities and vocational information are open services in all employment offices. There are 130 specialised information officers in employment offices. Information services are given annually to approximately 400,000 clients. Most clients are unemployed adults.

4.2 Private employment agencies

Until the end of 1993 the public monopoly on labour market services was quite strict and was strictly observed. The Ministry of Labour could grant permits to private associations to engage in job-placement activities with the proviso that the association in question was regarded as being well-suited to carry out this activity. The hiring of labour was regulated.

The Employment Services Act (1005/93) lifted the monopoly of labour market services at the beginning of 1994, abolished the permit procedure and released the hiring of labour from regulation. A person or a corporate body can now freely provide labour market services. A private service provider may charge for these services, with the exception of placement, for which individual clients may not be charged. In 1995 The Ministry of Labour launched a study on the extent of private job placement and how it is functioning.

4.3 Geographical mobility

In order to promote the geographical mobility of labour and increase the range of jobs open to jobseekers, an unemployed person or a person under the threat of becoming unemployed may be granted a mobility allowance in the form of a daily allowance and reimbursement of the travel costs due to travel within Finland for the purpose of getting acquainted with the job offered, concluding an employment contract or moving house in order to take up a new job.

CHAPTER III MEASURES

1. Overall Measures

- FIN-i.1 Employment and joint responsibility programme
- FIN-i.2 Employment programme 1996-1999; halving unemployment
- FIN-i.3 Action programme for developing the information society
- FIN-i.4 National programme for developing working life
- FIN-i.5 National productivity programme

2. Employment Maintenance

- FIN-ii.1 Lay-offs

3. Aid to the Unemployed

- FIN-iii.1 Unemployment allowance
- FIN-iii.2 Labour market support
- FIN-iii.3 Unemployment pension
- FIN-iii.4 Severance pay

4. Training, Further Training, Retraining and Occupational Mobility

- FIN-iv.1 Labour market training
- FIN-iv.2 Promotion of apprenticeship training
- FIN-iv.3 Development training programme for small and medium sized enterprises and training of specially educated unemployed in the SMEs (KEKO-project).

5. Job Creation

- FIN-v.1 Job rotation
- FIN-v.2 Part-time pay supplement
- FIN-v.3 6+6 hour day-shift
- FIN-v.4 Start-up grant
- FIN-v.5 Structural change scheme
- FIN-v.6 Investment aid to promote employment

6. Special Categories of Workers

Long-term unemployed

- cf. Job rotation and part-time pay supplement (FIN-v.1 and FIN-v.2)
- cf. Employment assistance for employers (FIN-vii.2)
- cf. Employment assistance for the employee (FIN-vii.3)
- cf. Vocational information services (FIN-vii.1).
- cf. Vocational guidance (FIN-vii.2)
- cf. Labour market training (FIN-iv.1)

Youth

- cf. Promotion of apprenticeship training (FIN-iv.2)
- cf. Job rotation and part-time pay supplement (FIN-v.1 and FIN-v.2)
- cf. Employment assistance for employers (FIN-vii.2)
- cf. Employment assistance for the employee (FIN-vii.3)
- cf. Vocational information services (FIN-vii.1)
- cf. Vocational guidance (FIN-vii.2)
- cf. Labour market training (FIN-iv.1)

Older Workers

- FIN-vi.1 Part-time pension
- cf. Job rotation and part-time pay supplement (FIN-v.1 and FIN-v.2)
- cf. Employment assistance for employers (FIN-vii.2)
- cf. Employment assistance for the employee (FIN-vii.3)

Disabled

- FIN-vi.2 Vocational rehabilitation services
- cf. Employment assistance for employers (FIN-vii.2)
- cf. Employment assistance for the employee (FIN-vii.3)
- cf. Vocational information services (FIN-vii.1)
- cf. Vocational guidance (FIN-vii.2)

7. Placement

- FIN-vii.1 Vocational information services
- FIN-vii.2 Vocational guidance
- FIN-vii.3 Employment assistance for employers
- FIN-vii.4 Employment assistance for jobseekers

8. Miscellaneous

- FIN-viii.1 Pay security
- FIN-viii.2 Co-operation of the Finnish labour market administration with Central and Eastern Europe

1. Overall Measures

- FIN-i.1 Employment and joint responsibility programme (*Työllisyyden ja yhteisvastuun hallitusohjelma*)
- FIN-i.2 Employment programme 1996-1999; halving unemployment (*Työllisyysohjelma 1996-1999; työttömyyden puolittaminen*)
- FIN-i.3 Action programme for developing the information society (*Tietoyhteiskunnan kehittämisohjelma*)
- FIN-i.4 National Programme for developing working life (*Työelämän kansallinen kehittämisohjelma*)
- FIN-i.5 National productivity programme (*Kansallinen tuottavuusohjelma*)

Employment and joint responsibility programme (*Työllisyyden ja yhteisvastuun hallitusohjelma*)

1.1.1 Introduction

The overall government policy for 1995-1999 set out in the Governmental Programme of the new five-party government was presented to Parliament on 25 April 1995. The programme outlines the mutually reinforcing development lines along which the government is committed to bring about a considerably improved employment situation, strong economic growth and stable prices by the end of the century. The government will work to increase co-operation and trust within society as a whole, particularly between the parties on the labour market and various interest groups.

1.1.2 Economy and employment

In addition to meeting the EMU convergence criteria, the government stresses the importance of the employment issue in economic co-operation within the EU. The main goal of economic policy is to halve unemployment during the election period (four years). This entails rapid and environmentally sustainable economic growth. The government builds its economic policy on measures intended to support growth and to reduce unemployment and to create the necessary conditions for a low interest rate, on intensifying labour market policy and improving the functioning of the labour market, keeping inflation under control and bringing the public debt down, and introducing a taxation policy which encourages work and enterprise development and supports economic growth.

The government is to intensify labour market policy measures by increasing the resources for managing the employment situation. Employment measures introduced in 1995 in a supplementary budget will be financed by cuts in other expenditure. Additional resources will also be allocated to labour-intensive construction, housing renovation and communication projects.

1.1.3 Tax reform

The taxation structure will be changed to favour work and employment. A taxation policy will be introduced to encourage work and enterprise development and support economic growth. The taxation of earned income will be relieved by gradual changes in the tax structure. The reform will begin by abolishing the national pension contribution paid by the insured, and gradually also the contribution rate to the health insurance scheme. The tax rate for capital income, income from interest and corporate income will be increased from 25 to 28% for the election period.

The lower taxation of labour will, to a considerable extent, be compensated by new environment taxes. The model will favour those who save energy and reduce dangerous emissions and support the development of labour intensive and new technology branches. The VAT rate on labour intensive services is reduced as part of the employment policy.

In order to increase work incentives, taxes, income transfers and service charges will be coordinated in order to ensure that there will always be an incentive to work.

1.1.4 Industrial policy

The goal of the government's industrial and business policy is to secure economic growth and improve the employment situation.

The government will promote competitiveness based on innovations, skilled labour, quality of working life, high standards of environmental protection and concentration on research and development. The functioning of the labour market will be improved in co-operation with the labour market organisations, paying particular attention to the situation of the SMEs. The national productivity project is to be continued. The creation of new jobs in SMEs and service enterprises is an important goal.

The government is committed to promoting job-creation in recycling and other areas of environmental protection. Self-employment will be supported by promoting work and service co-operative activities.

The system of enterprise subsidies will be made clearer and subsidies will to a greater extent be paid out only against requital. Any subsidies distorting competition or overlapping each other will be eliminated.

1.1.5 Government structures

The government's goal is to ensure the provision of the basic services of a welfare society. The administration will be streamlined, that is made more efficient, functional and service-minded. Division of tasks between the ministries and other administrative bodies will be made clearer. The services of the labour market administration will be intensified in order to guarantee more individual service provision.

1.1.6 Economic and social co-operation

The government will take active measures to help the parties involved reach labour market agreements which take employment aspects into consideration. Flexibility in working life must be based on the needs of both enterprises and employees. To this end the government will encourage the social partners to develop their agreement-making at all levels, national, union and local. The system of minimum security for the terms and conditions of employment will be guaranteed.

Together with the social partners the government will prepare a national programme for developing working life and strive to promote equality in working life and to realise the principle of equal pay.

1.1.7 Labour market measures

With the help of active labour market policy registered unemployment is expected to be reduced in 1995. The number of persons employed within programmes financed from national sources will be increased to at least 5% of the labour force in 1995. The labour market policy measures will be concentrated on the young and the long-term unemployed. In order to prevent exclusion, efforts to offer jobs and training places will be stepped up.

A revision of the unemployment benefits will be carried out in consultation with the labour market parties. The reform includes a re-estimate of the period for which the benefit is paid and of the bases on which the benefit is granted. At the same time there will be an increase in the activating factors – rehabilitation, training; and in labour market policy measures deployed to improve the employment situation. Short-term employment will be encouraged. Labour market subsidies will be better adapted to their purpose, which is to be an activating factor in labour market policy.

The subsidy system will be developed so that work will always serve to improve the individual's economic situation. The benefit system for minimum social security needs to be more properly

defined. Minimum security is financed from public taxation. The social security contributions levied from the enterprises, but not related to work, will gradually be abolished.

1.1.8 Labour legislation

In collaboration with the labour market organisations, labour legislation will be reformed to eliminate rigidities preventing the employers from taking on new employees and the unemployed from finding work.

The legislation on working hours, annual holidays and co-operation will be renewed. Various ways of sharing work and organising working time on a voluntary basis will be explored and promoted.

**Employment programme 1996-1999; halving unemployment
(*Työllisyysohjelma 1996-1999; työttömyyden puolittaminen*)***Aim*

The programme aims to halve unemployment by 1999 and to reduce long-term and youth unemployment.

Legal basis

The Programme was approved by the Council of State decision-in-principle of October 1995.

It is a follow-up to the Government Programme and takes into account the EMU-convergence programme adopted in September.

Contents

The Programme identifies 52 different measures. The main measures are grouped into six categories as follows:

1. Measures to ease employee taxation, especially on low and medium income groups, and to lower employer contributions so as to reduce the fiscal burden on the use of labour (four proposals). This aims mainly to revive domestic demand. The employers' unemployment insurance contribution will be reduced from the beginning of 1996 from two to 1% of the total payroll (up to FIM five million, and from 6.1 to 4% thereafter). The wage-earner's contribution will be reduced from 1.87 to 1.5%. The fiscal burden on use of labour will be reduced further in 1997-1999.
2. Measures to reform working-life, to lower the threshold hiring and to work sharing (twelve proposals). This aims to improve the quality of working life, increase productivity and abolish the rigidities that prevent hiring. Obligatory periods of notice will be shortened by an amendment to the Contracts of Employment Act (320/70). The status of workers in atypical employment relationships will be analysed and proposals made in February 1996. Negotiation periods in companies will be shortened from the present three months by amending the Act on Codetermination. This issue is being studied by the authorities and the social partners and proposals will be made by the end of January 1996. A report will be produced by the end of the same month on the impact of cutting young people's starting salaries. A government bill on reforming the Act on Working Hours will be given to Parliament in the spring of 1996. The government is encouraging local authorities to experiment with different working hour models. Negotiations on all these questions with the social partners are in process. Job rotation experiment will start in 1996.
3. Measures to increase the supply of vocational training and make it respond more closely to working-life needs (six proposals):
Training provision will be increased in 1996, 1997 and 1998 by offering 5,000 new starting places in basic vocational training. In addition the income policy agreement of 1995 provides for an intake of 4,000 new students annually in 1996-1998 and for an increase of 10,000-20,000 adult education places from 1997 onwards.
4. Measures to create favourable preconditions for entrepreneurship (seven proposals) include training measures (KEKO-training volume doubled), a simplification of social security contribu-

tions (a committee is to investigate ways of achieving this), cutting down red tape and avoiding double stamp duties.

5. Increasing investments in the building sector and environmental protection work both with private and public funding (eight proposals).
6. A shift in the focus of labour market policy from passive unemployment security to active measures (fifteen proposals). The target is to have 5% of the labour force (125,000) in active labour market measures by 1997.

Financial Resources

State budget and ESF funds, municipalities and private investments.

Institutional Support

Ministry of Labour; and a high-level steering group with representatives from the Prime Minister's Office, Ministry of Labour, Ministry of Education, Ministry of Finance and Ministry of Trade and Industry. The social partners are also involved.

Duration

October 1995 to end 1999.

Effects

The Programme is to be monitored actively at regular intervals and in connection with the budgetary framework preparations for 1997 in February 1996. The government and the ministries especially involved will take the necessary action to implement this decision-in-principle and to prepare the necessary legal amendments.

The unemployment rate in September 1995 was 17.9%; 452,000 people were registered unemployed. The unemployment rate was estimated in the EMU convergence programme (approved in September 1995) to fall to 12.5%, i.e. about 330,000 unemployed persons, by the end of the decade. If unemployment is to be cut by half an additional reduction of about 100,000 unemployed will be required, and the Employment Programme has therefore been drawn up to outline the supplementary measures needed to achieve this additional reduction in unemployment.

The influence of favourable overall economic developments (moderate wage increases, low inflation and long-term interest rates, lower taxation on labour, increasing construction and a good performance by SMEs) with a beneficial effect on growth is expected to create 50,000 jobs. Lowering the employment threshold is expected to create 5,000-10,000 new jobs, and flexibility in working time is expected to have the same effect. Activating labour market policy will affect about 10,000 to 15,000 people and increasing vocational training will incorporate an additional 30,000 to 35,000 people into training measures.

**Action programme for developing the information society
(Tietoyhteiskunnan kehittämisohjelma)***Aim*

To develop the infrastructure needed and the skills required to make the country a leading information society in Europe and on a global scale.

Legal Basis

Government decision of principle (18.1.1995). Adoption by the Ministry of Labour of the Action programme within the labour market administration.

Contents

The programme aims to give all citizens the means to acquire the necessary basic skills and to develop and encourage entrepreneurship and especially ADP and media-based new sectors.

The labour market administration emphasises the mastering of information-related techniques in its internal training. It also emphasises this component in labour market training, in the National Programme for Developing Working Life and the Productivity Programme.

The development of tele-work reforms part of a joint Nordic project.

Financial Resources

The programme is financed by reallocating existing resources in the Ministry of Labour's budget. No extra resources are required. The development of tele-working, which is to be done gradually, will require, when in full operation, about FIM 2 million p.a.

Institutional Support

The Ministry of Labour in co-operation with the Ministry of Trade and Industry, the Ministry of Social Affairs and Health and the Ministry of Education.

Duration

Ongoing.

Effects

To be evaluated annually.

FIN-i.4

**National programme for developing working life
(Työelämän kansallinen kehittämisohjelma)***Aim*

The aim is to enhance international competitiveness, create new jobs, generate income and improve the quality of working life within the enterprises. The national programme for developing working life accords priority to the development of skills and innovativeness based on local initiatives.

Legal Basis

Government Programme, the comprehensive income policies agreement (September 1995), the Government Employment Programme 1996-1999 adopted 19 October 1995 and the State budget proposal for 1996.

Contents

Programme implementation involves research-driven innovative development at the workplace with the enterprises co-operating with universities and research institutions. It aims to strengthen working life culture in such a way as to promote the on-going improvements in productivity, creativeness and innovation. Multiskill development and team work in organisations capable of learning and using networking methods are core features.

Financial Resources

In 1996 the budgetary proposal for the programme is FIM 11.9 million.

Institutional Support Ministry of Labour in co-operation with the Ministry of Trade and Industry and the Ministry of Education.

Duration

1996-1998.

Effects

Ongoing evaluation and after four years.

National productivity programme (*Kansallinen tuottavuusohjelma*)*Aim*

Raising productivity by developing the quality of work and flexibility in working life.

Legal Basis

The National Productivity Programme was launched by the Economic Council.

Contents

"Productivity for the Future" is part of an all-round effort to improve international competitiveness, the employment situation, standard of living and the quality of working life.

The programme comprises nine projects consisting of development projects at the work organisation level, refinements to productivity statistics and the improvement of productivity measurement and analysis.

Financial Resources

The main sources are the government budget and the Finnish Work Environment Fund. The State budget appropriation for improving productivity in the 1996 budget proposal is FIM 3.1 million.

Institutional Support

The Ministry of Labour co-ordinates the programme which is steered on a tripartite basis.

Duration

Initially from 1993 to the end of 1995; extended in April 1995 for four years.

Effects

To be evaluated.

2. Employment Maintenance

FIN-ii.1 Lay-offs (*Lomautukset*)

Lay-offs (*Lomautukset*)

Aim

To avoid dismissals when reduction of work is temporary.

Legal Basis

- Employment Contracts Act (320/70);
- Codetermination in Companies Act (725/78);
- Supplementary Unemployment Insurance Payments Act (1499/94).

Contents

Lay-offs is the term used to describe a situation in which the employment relationship remains in force, but no work is done or wages paid, usually for a fixed period. The lay-off can be based on an agreement between the employer and employee in individual cases or on unilateral action by the employer.

In the case of a temporary decline in work volume an employee can be laid off for a period of up to 90 days if the employer cannot reasonably provide him/her with other work or training. Such training must be consistent with the employer's financial potential and operations, and suited for the employee. Lay-off rights can be extended by collective agreement and under agreement as referred to in the Codetermination in Companies Act (725/78). Advance notice must be given to the employees' representative and, if the lay-off affects more than ten workers, also to the labour market authorities. This advance notice must be given at least 14 days before the lay-off starts.

The laid-off worker receives unemployment allowance payments in full after the first 15 days; the benefit amounts to 70% of the earnings-related unemployment allowance.

Financial Resources

Funding is by the unemployment insurance funds. In 1996 the employers paid a contribution of 1% of pay-roll (in 1995 2%). Employers whose annual pay-roll exceeds FIM 5 million pay 4% (in 1995 6.1%). The employer (from a payroll over FIM 1 million) is required to pay a supplementary unemployment insurance payment of FIM 1,180/ fully laid-off worker (i.e. at least a calendar week) during the years 1995-1996. The workers contribute 1.5% of taxable pay (in 1995 1.87%). In 1994 the total daily allowances for fully laid-off workers amounted to FIM 1,893.5 million.

Institutional Support

Ministry of Labour; Ministry of Social Affairs and Health; Unemployment Insurance Funds.

Duration

Since 1970; ongoing.

3. Aid to the Unemployed

FIN-iii.1 Unemployment allowance (*Työttömyyspäiväraha*)

FIN-iii.2 Labour market support (*Työmarkkinatuki*)

FIN-iii.3 Unemployment pension (*Työttömyyseläke*)

FIN-iii.4 Severance pay (*Eroraha*)

Unemployment allowance (*Työttömyyspäiväraha*)

Aim

To provide income security for unemployed jobseekers resident in Finland.

Legal Basis

- Unemployment Allowances Act (602/84) as amended (1443/92; 1537/93);
- Unemployment Funds Act (603/84) as amended.

Contents

Both an earnings-related and a basic unemployment allowance exist. The basic unemployment allowance is paid, without means-testing, to unemployed persons aged 17-64 who have registered as unemployed jobseekers for a full-time job, are capable of and available for work and satisfy the employment condition (i.e. held a job with a working week of at least 18 hours for 26 weeks during the previous 24 months), and for whom no work or training has been provided by the employment office. To be eligible for the earnings-related unemployment allowance a person has in addition to be a member of an unemployment fund. Persons in receipt of other benefits, like sickness, maternity, paternity or parental allowance are not entitled to the unemployment allowance. The benefit is taxable income and the maximum payment period is 500 days during four consecutive calendar years.

People who have received unemployment allowance for the maximum period are subsequently entitled to a labour market support.

The basic allowance is paid by KELA and amounts to FIM 118 a day. Child supplements are also available (FIM 24 for one child; FIM 35 for two and FIM 45 for three or more children). Membership of at least six months in an unemployment fund is required for entitlement to an earnings-related allowance, the maximum of which (including child supplements) may not exceed 90% of daily pay.

A person who left his/her job without a valid reason or was himself/herself the cause of the termination of the employment contract is not entitled to an allowance for eight weeks. A person who repeatedly refuses to make use of the measures offered by the employment office or who refuses to supply the information required by the Labour Exchange Act is not entitled to the allowance for six weeks.

If the unemployed jobseeker fulfilling the employment condition reaches the age of 55 before the 500-day entitlement period has elapsed, the right to the unemployment allowance is retained until he/she reaches the age of 60.

Financial Resources

The basic unemployment allowance is fully financed by the government budget. The earnings-related allowances are financed by employers' and employees' contributions and the government budget. In 1994 52.4% of the costs were borne by the government, 32% by the employers and 15.6% by the employees. In 1995 the cost of basic unemployment allowances was estimated to be FIM 2,780 million and for earnings-related allowances to be FIM 7,100 million. The employer premium (1995) is 2% of that part of the payroll not exceeding FIM 5 million and 6.1% on the

remainder. The employee contribution is 1.87% of salary. In addition members of unemployment funds pay membership fees.

Institutional Support

Labour authorities, Ministry of Social Affairs and Health, Social Insurance Institution (KELA), unemployment funds (for earnings-related allowances).

Duration

Ongoing, but subject to revision in 1996.

Effects

Total expenditure (basic and earnings-related benefits) on unemployment security (FIM mill.)

| Year | Total FIM million |
|------|-------------------|
| 1992 | 15,407 |
| 1993 | 21,036 |
| 1994 | 21,385 |

Total number of recipients

| Year | Basic allowance | Earnings-related allowance |
|------|-----------------|----------------------------|
| 1993 | 363,106 | 596,211 |
| 1994 | 280,545 | 544,420 |

Average recipients per month

| Year | Basic allowance | Earnings-related allowance | Labour market support |
|------|-----------------|----------------------------|-----------------------|
| 1993 | 195,900 | 285,700 | – |
| 1994 | 165,500 | 273,200 | 53,300 |
| 1995 | 84,000 | 240,400 | 135,000 |

Labour market support (*Työmarkkinatuki*)

Aim

The aim is to provide minimum income security for the unemployed jobseeker looking for work or undergoing various employment training programmes. Thus it also aims to actively promote and enhance the recipient's opportunities for entering or re-entering the labour market.

Legal Basis

The Labour Market Support Act (*Laki työmarkkinatuesta* 1542/93) introduced in 1994 and the Decree on Labour Market Support (1680/93).

Contents

Labour market support applies both to those entering the labour market for the first time and to those unemployed jobseekers who have exceeded the maximum period (500 days) of the unemployment allowance. Labour market support is subject to means testing. However, for the first 180 days following the end of the 500-day unemployment allowance period and for unemployed persons over 55 years fulfilling the employment condition no means test is required. An unemployed person can be placed in a job, into apprenticeship training, adult labour market training or vocational guidance or rehabilitation with labour market support. There is no time limit for payment of labour market support. It is paid for five days a week and constitutes taxable income. The full amount equals the basic unemployment allowance (FIM 118) but with lower child supplements (FIM 9.60 for one child, FIM 14 for two children and FIM 18 for three or more children) as from the beginning of 1996. A young person living in the same household as his/her parents and not having worked before receives 60% of the regular amount of the benefit.

The conditions of entitlement are that the person must be fit for work, at the disposal of the labour market and seeking full-time employment. A person on partial invalidity pension qualifies for the support even when not seeking a full-time job. Benefit can be withheld for a period of six weeks if a jobseeker repeatedly refuses any of the employment programme opportunities offered.

The employability of the recipient of labour market support can be enhanced by the labour market authorities by placing the jobseeker in training or apprenticeship training and by offering occupational guidance or rehabilitation. The local employment office draws up an agreement with the employer for apprenticeship training.

Financial Resources

The labour market support is financed from government funds through the Social Insurance Institution, which pays out the support. In 1994 a total of FIM 1,427 million was paid out in labour market support.

Institutional Support

The Ministry of Labour is responsible for the labour market policy aspects and the Ministry of Social Affairs and Health for the maintenance aspects. The Social Insurance Institution (KELA) handles the applications and payments.

Duration

Since 1 January 1994; ongoing.

Effects

In 1994 a total of 123,590 persons received labour market support, of which 89,840 received it in full.

| Year | Average recipients per month |
|------|------------------------------|
| 1994 | 53,300 |
| 1995 | 135,000 |

Unemployment pension (*Työttömyyseläke*)

Aim

To provide income security for the long-term unemployed aged 60-64 years who have received the unemployment allowance for the maximum period.

Legal basis

- National Pension Act 347/56 (*Kansaneläkelaki*);
- Employment Pension Scheme; Employees' Pensions Act 395/61 (*Työntekijäin eläkelaki*).

Contents

The unemployment pension is paid under both the employment pension and the national pension legislation. The unemployment pension may start when a person who is currently unemployed has received the unemployment allowance for at least 500 days and reaches the age of 60. It is paid at a rate equal to the invalidity pension the claimant would have received had he or she become disabled instead of unemployed. Under the employment pension legislation the unemployment pension amount is based on previous earnings. Both the length of previous employment and the interval between the current age and regular retirement age are taken into account. The unemployment allowances are not included as previous earnings. Instead the employment pension is increased by a work-pension supplement, based on the time for which earnings-related unemployment allowances have been paid. National unemployment pensions include a basic amount (1995 FIM 445 per month), and in some cases an additional amount dependent on other pension income and other national pension components.

In order to qualify for an unemployment pension applicants must be aged 60-64 years, have been employed for at least five years during the previous 15 years and be entitled to an earnings-related pension that includes a part based on the (hypothetical) accrual of the pension between the current age and the normal retirement age. The award of the unemployment pension under the national pension legislation is conditional on the claimant living in Finland and satisfying the mandatory residence requirements (citizens of EEA-states must have lived in Finland for at least three years after the age of 16 and other nationalities must have lived in Finland immediately prior to the beginning of the pension for an uninterrupted period of at least five years).

Financial Resources

Unemployment pensions are granted from the statutory pension schemes and financed through these. National pensions are financed by employer and employee contributions and the government budget. Employment pensions are financed by insurance premiums paid by employers and employees.

Institutional Support

Ministry of Social Affairs and Health, KELA (Social Insurance Institution), Central Pension Security Institute, insurance companies.

Duration

Ongoing; examined annually at budget negotiations.

Effects

| Year | Total number of recipients |
|------|----------------------------|
| 1992 | 43,719 |
| 1993 | 42,793 |
| 1994 | 42,962 |

FIN-iii.4

Severance pay (*Eroraha*)

Aim

A worker over the age of 43 years made redundant for production-related or financial reasons and not offered a new job or placed in training is entitled to a redundancy payment to compensate for loss of earnings.

Legal Basis

Education and Redundancy Payment Fund Act (537/90) and Decision of the Ministry of Social Affairs and Health on the Rules of Procedure of the Fund (8.12.1994/1312).

Contents

In order to be eligible the person must be registered as a jobseeker in the employment office (at the latest six weeks from the dismissal notice) and be at the disposal of the labour market. The basic part of the payment is FIM 4,000 supplemented with an amount depending on the length of service and earnings. In addition an adult education supplement for time spent in training undertaken to maintain and increase professional or vocational skill and to improve employability is also available. The measure applies to both the private and public sector. It constitutes non-taxable income.

Financial Resources

Severance pay is financed by employer contributions. The government pays the severance pay for civil servants.

Institutional Support

Employment Office.

Duration

Since 1978.

Effects

| Year | Total number of recipients |
|------|----------------------------|
| 1993 | 30,925 |
| 1994 | 22,148 |

4. Training, Further Training, Retraining and Occupational Mobility

- FIN-iv.1 Labour market training (*Työvoimapolitiittinen aikuiskoulutus*)
- FIN-iv.2 Promotion of apprenticeship training (*Oppisopimuskoulutuksen edistäminen*)
- FIN-iv.3 Development training programme for small and medium sized enterprises and training of specially educated unemployed in the SMEs (KEKO-project) (*Pienten ja keskisuurten yritysten kehittämiskoulutus – KEKO-projekti*)

Labour market training (*Työvoimapoliittinen aikuiskoulutus*)

Aim

Labour market training is one of the most important active labour market policy measures. It aims to further the employment possibilities of unemployed jobseekers and to avert the threat of unemployment and/or exclusion. The purpose is to provide participants with the skills required on the labour market and thus also to facilitate the matching of supply and demand.

Legal Basis

Labour Market Training Act (*Laki työvoimapoliittisesta aikuiskoulutuksesta 763/90*).

Contents

Labour market training consists for the most part of further training and updating training.

The training is flexible in form and can last from a few days to more than a year. Initial vocational training can be provided if the participant lacks professional skills. Supplementary training is intended to broaden the scope of participants' skills. Retraining is offered when the person is changing occupation. The labour market administration purchases labour market training from training providers and educational institutions.

Adult labour market training is available for persons over 20 years of age. It takes place at vocational adult training institutions or institutions of higher education, but can also be organised by private suppliers of training through tendering procedures. An application for training can be placed following an interview with an employment consultant. Recently labour market training has been increasingly channelled to cover the young long-term unemployed, and to cater for the special training needs of the partially disabled and those over forty years of age. Gender equality applies in training. In 1994 FIM 324 million was spent on training measures for unemployed and disadvantaged youth.

The financial benefits during labour market training comprise the training allowance, subsistence allowance and a refund for accommodation expenses. Benefits are granted provided that the "employment period" condition is fulfilled and the maximum period for receiving the daily unemployment allowance has not expired.

Financial Resources

Labour market training is funded by the Ministry of Labour and by the ESF in the case of labour market training implemented under the various ESF programmes (3, 4, 2, 5b, 6, and Community Initiatives). The 1996 budget foresees about 20,000 to 25,000 student places for vocational training. An additional 5,000 new student places for those under twenty years of age will be funded through savings in labour market support costs.

Public expenditure on labour market training for unemployed adults and those at risk

| Year | FIM million |
|------|-------------|
| 1992 | 2,244 |
| 1993 | 2,293 |
| 1994 | 2,417 |

Institutional Support

Labour market training for adults is implemented in co-operation between the employment and educational authorities and the district authorities of the Ministry of Trade and Industry.

Duration

Ongoing.

Effects

In 1994, labour market training involved an average of 32,200 students. The increase over year 1993 was 1,600. Altogether 157,200 applications were received in 1994 (an increase of 8% over 1993) and 52% of the applications led to the applicant actually starting training. The number of persons completing the training was 65,000 in 1994 (down 2,800 from 1993). 5% of the students starting training were disabled (3,800 students). The Ministry of Labour carries out evaluation projects for strategic labour-policy decision making. Studies show that the system is functioning well; it has contributed to reducing unemployment and enhancing the skills of the labour force. For the purpose of studying the individual impacts the Ministry of Labour made an agreement with the University of Jyväskylä. As part of the project an evaluation was made of enterprise level impacts. Enterprises have a positive attitude towards labour market training.

Promotion of apprenticeship training (*Oppisopimuskoulutuksen edistäminen*)

Aim

To further skills of the workforce and the unemployed and to provide basic vocational training for young persons (under 20).

Legal Basis

Apprenticeship Training Act (*Laki oppisopimuskoulutuksesta 1605/92*).

Contents

Apprenticeship training has been linked up with youth education in 1995. Apprenticeship is now linked more closely with other vocational training as a type of labour intensive vocational training and an alternative channel for young people. Apprenticeship can be in the form of basic vocational training, further training, updating training or retraining.

Financial Resources

The employer has the right to obtain government compensation for the costs incurred in training an apprentice. The employer also receives an additional subsidy paid by the labour market administration.

Public expenditure in support of apprenticeship and related forms of general youth training

| Year | FIM million |
|------|-------------|
| 1992 | 211 |
| 1993 | 308 |
| 1994 | 354 |

Institutional Support

Labour market administration, educational administration, municipalities.

Duration

Ongoing.

Effects

In 1993 10,000 young people were involved in apprenticeship training.

FIN-iv.3

**Development training programme for small and medium-sized enterprises and training of specially educated unemployed in SMEs (KEKO-project)
(*Pienten ja keskisuurten yritysten kehittämiskoulutus – KEKO-projekti*)**

Aim

To promote economic growth and job and enterprise creation through support for the development activities of SMEs, particularly in export functions, product and quality development and productivity, and as a pathway from unemployment to employment for engineers, business graduates and others.

Legal Basis

Labour Market Training Act (*työvoimakoulutuslaki*) 763/90.

Contents

The project is intended for specially trained unemployed persons who are initiated into projects by means of labour market training. Participants work for companies in special development projects and receive a daily allowance during training. This allowance equals their unemployment benefit. For each project there is a short training period and an outside consultant who monitors the project. The number of persons involved will be doubled in 1996 to 2,000 entrants.

Financial Resources

State budget funds allocated for labour market training. Innovative training projects are implemented under ESF programme 3. Average expenditure is FIM 94,500 per person (including purchase of training, social benefits and tutoring). The part paid by the enterprise is included in this sum and averages FIM 10,000 per person. The labour districts allocate funds from the labour market training budgets.

Institutional Support

The authority responsible is the Ministry of Labour together with the Ministry of Trade and Industry, and the Ministry of Education. The search for plans is carried out by the Ministry of Trade and Industry while the Ministry of Labour seeks suitable participants. The project is implemented under the responsibility of labour district offices and the district organisation of the Ministry of Trade and Industry. The Confederation of Finnish Industry and Employers (TT) and the Union of Academic Professionals (AKAVA) are involved in the implementation. Universities, vocational education institutions and management consultants act as instructors.

Duration

Experimental pilot projects started in the beginning of 1994 and the project is planned to continue until 1999. Average duration of a project within KEKO is nine months and average duration is 1,350 hours/person.

Effects

Experimental pilot projects indicate that 70% of the students were employed after the projects had been completed.

5. Job Creation

- FIN-v.1 Job rotation (*Vuorotteluvapaa*)
- FIN-v.2 Part-time pay supplement (*Osa-aikalisä*)
- FIN-v.3 6+6 hour day-shift (*6+6 tunnin päivävuoromalli*)
- FIN-v.4 Start-up grant (*Starttiraha*)
- FIN-v.5 Structural change scheme (*Rakennepoliittinen tuki*)
- FIN-v.6 Investment aid to promote employment (*Työllisyysperusteinen valtionapu investointeihin*)

Job rotation (*Vuorotteluvapaa*)

Aim

The aim is to increase employment by job-sharing and broaden the scope for employees to undertake studies and training and also to take leave for personal and/or family reasons, while at the same time giving young people a footing in working life.

Legal Basis

Act on Job rotation leave (*laki vuorotteluvapaakokeilusta 1663/95*).

Contents

The scope of the measure extends to both private and public sector employment.

The measure is based on a voluntary agreement (in writing) between a full-time employee and his/her employer for the employee to take unpaid leave for a fixed period which can be between 90-359 calendar days. Pensions rights are retained and the employee is guaranteed a return to the same job. This presupposes an employment relationship with the same employer that has lasted at least a year. The employer is obliged to offer employment to a registered unemployed person for the same duration, but not necessarily in the same job.

The person on job rotation leave receives 60% of the unemployment allowance that he/she would be entitled to, up to a ceiling of FIM 4,500 per month. If he/she undertakes full time vocational training a training supplement is granted (about max. FIM 1,000 per month).

Financial Resources

The expenses incurred by the unemployment funds (*työttömyyskassat*) and the Social Insurance Institution (KELA) are funded in accordance with the provisions in the Unemployment Allowances Act (*työttömyysturvalaki 602/84, § 37*) and the Unemployment Funds Act (*työttömyyskassalaki 603/84*).

State expenditure would be between FIM 100-150 million annually, while the annual savings in unemployment allowances would amount to some FIM 130 million.

Institutional Support

Implementation is supervised by the Ministry of Labour. The labour market administration and the occupational safety authorities supervise the implementation. The agreement between the employee going on leave and his/her employer must be approved by the local employment office. The Ministry of Labour will promote the introduction of job rotation by means of effective publicity work in co-operation with the social partners.

Duration

The project is planned for 1996-1998.

Effects

The experiences will be closely evaluated by the Ministry of Labour, the Ministry of Social Affairs and Health and the social partners. About 5,500 employees a year are expected to take up the job rotation option.

Part-time pay supplement (*Osa-aikalisä*)

Aim

Increasing jobs through flexibility of the labour market.

Legal Basis

Amendment (51/94) to Employment Decree 130/93 (*työllisyysasetuksen 130/93 muutos 21.1.1994/51*).

Contents

A person voluntarily changing his/her full time job to a part-time job can receive a part-time income supplement as compensation for diminished earnings. The employer has to employ for the same period a registered unemployed jobseeker for the job in such a way that 40-60% of the reduction in working time is allocated to a registered unemployed jobseeker.

The agreement between the employee and his/her employer must include a provision to allow the employee to return to full-time work when the entitlement to the part-time supplement ceases. The part-time supplement represents 50% of the difference in pay between full-time and part-time work with a ceiling equal to the normal employment subsidy plus 70%. The maximum duration of part-time pay supplement is twelve months.

Financial Resources

The budget appropriation in 1994 was FIM 11 million and average number of persons involved was 380.

Institutional Support

Ministry of Labour.

Duration

March 1994 to end December 1996.

Effects

Expected number of workers involved about 4,000 annually.

FIN-v.3

6+6 hour day-shift (6+6 tunnin päivävuoromalli)*Aim*

To raise labour market flexibility. This working time arrangement aims to create jobs, improve productivity and promote work sharing by introducing two consecutive six-hour work shifts at work-places on a voluntary basis.

Legal Basis

Special legislation not required.

Contents

An innovative working time arrangement under which employees work six-hour shifts without a lunch-break or without coffee-breaks. The shifts can run from 6-12 and 12-18, or from 8-14 and 14-20, for example. Shifts can also overlap.

Financial Resources

Budget appropriations FIM 300,000 for 1995 and 1996.

Institutional support

Ministry of Labour.

Duration

January 1995 to July 1998.

Effects

The effects will be studied at the University of Jyväskylä and by the Ministry of Labour. Expected number of workers involved is about 80. Four firms are taking part. Several municipalities are expected to join in 1996 as 140 municipalities have indicated their interest. Initially the system seems to work well and production seems to be equal to that of an 8-hour working-day.

Start-up grant (*Starttiraha*)

Aim

To create permanent jobs and new enterprise activity and to assist the unemployed to enter the labour market through self-employment.

Legal Basis

Employment Decree 130/93 (*työllisyysasetus*).

Contents

A registered unemployed jobseeker who has a feasible business idea receives counselling and financial assistance when setting up his/her new business. The jobseeker is required to have had previous business experience and/or training. Training can be provided during the period of payment of the assistance. FIM 2,500 to 4,500 can be granted for a maximum period of ten months. This constitutes taxable income.

Financial Resources

State budget appropriation.

Public expenditure in support for unemployed persons starting enterprises

| Year | FIM million |
|------|-------------|
| 1992 | 163 |
| 1993 | 273 |
| 1994 | 290 |

Institutional Support

Local Employment Office, Ministry of Trade and regional industrial administration.

Duration

Since 1984.

Effects

Follow-up studies are at progress at the Ministry of Labour.

Structural change scheme (*Rakennepoliittinen tuki*)

Aim

The aim is to create permanent jobs and adapt companies and regions to structural change by implementing projects based on local initiatives and resources.

Legal Basis

The Employment Decree (*työllisyysasetus 130/93*).

Contents

Employment-based structural aid can be granted to:

- development projects set up to promote the adaptation of areas and enterprises to structural change and support internationalisation of communities. Special attention is paid to local initiatives and to development projects based on local resources;
- employment projects whose aim is to place unemployed people in fields other than in economic activity and also to encourage unemployed people to enter self-initiated employment and to prevent exclusion from the labour market.

Beneficiaries in the case of employment projects are communities and foundations and in the case of development projects municipalities, federations of municipalities, communities, foundations and enterprises. The structural aid cannot be granted to companies if the granting of a subsidy would obviously distort competition. The maximum amount of the aid is 50% of the project's total costs.

Financial Resources

Government budget. The labour district grants the structural aid when the amount of the aid does not exceed FIM one million; for sums in excess of this figure the Ministry of Labour is the granting authority.

In 1995 264 decisions on structural policy project proposals had been taken as of the 12th December and the amount of support totalled FIM 76 million.

Institutional Support

Ministry of Labour.

Duration

Ongoing.

FIN-v.6

**Investment aid to promote employment
(*Työllisyysperusteinen valtionapu investointeihin*)***Aim*

To support employment-creating investment in areas where the unemployment rate exceeds the national average by 50%. The aid can also be granted when the employment situation in a municipality has suddenly and severely deteriorated. The purpose is to create new jobs.

Legal Basis

- Employment Act (275/87);
- Employment Decree (130/93).

Contents

The public investment subsidy can be granted for construction work and basic improvement and expansion of the infrastructure. The beneficiary may be a municipality, federation of municipalities, a community or a foundation. It has been granted especially to support projects which promote economic life and to those which promote the usage of domestic energy resources. The total amount of the aid granted by the Ministry of Labour or other authority may not exceed 75% of the project's cost estimate. The decision is made by the labour district when the amount is under FIM one million and in other cases by the Ministry of Labour. The investment subsidy may also be granted to enterprises under the rules and conditions of the Ministry of Trade and Industry.

Financial resources

Budget appropriation for 1995-1998 is FIM 341 million, of which FIM 35 million is the national share of ERDF-programme support.

Institutional Support

Ministry of Labour and the district authorities and Ministry of Trade and Industry.

Duration

Ongoing.

6. Special Categories of Workers

Long-term unemployed

- cf. Job rotation and part-time pay supplement (FIN-v.1 and FIN-v.2)
- cf. Employment assistance for employers (FIN-vii.2)
- cf. Employment assistance for the employee (FIN-vii.3)
- cf. Vocational information services (FIN-vii.1).
- cf. Vocational guidance (FIN-vii.2)
- cf. Labour market training (FIN-iv.1)

Youth

- cf. Promotion of apprenticeship training (FIN-iv.2)
- cf. Job rotation and part-time pay supplement (FIN-v.1 and FIN-v.2)
- cf. Employment assistance for employers (FIN-vii.2)
- cf. Employment assistance for the employee (FIN-vii.3)
- cf. Vocational information services (FIN-vii.1)
- cf. Vocational guidance (FIN-vii.2)
- cf. Labour market training (FIN-iv.1)

Older Workers

- FIN-vi.1 Part-time pension (*Osa-aika eläke*)
- cf. Job rotation and part-time pay supplement (FIN-v.1 and FIN-v.2)
- cf. Employment assistance for employers (FIN-vii.2)
- cf. Employment assistance for the employee (FIN-vii.3)

Disabled

- FIN-vi.2 Vocational rehabilitation services (*Ammatillinen kuntoutus*)
- cf. Employment assistance for employers (FIN-vii.2)
- cf. Employment assistance for the employee (FIN-vii.3)
- cf. Vocational information services (FIN-vii.1)
- cf. Vocational guidance (FIN-vii.2)

FIN-vi.1

Part-time pension (*Osa-aika eläke*)

Aim

To enable elderly persons to reduce their working time by compensating for part of the short-fall in earnings.

Legal Basis

Employment Pension Scheme; main law Employees' Pensions Act 395/61; amendments 605/89, 559/93.

Contents

An employed person or a self-employed person aged 58-64 may take a part-time pension under certain general conditions: the person has been in working life for a long time, at least five years during the past fifteen years; he/she has been in full-time employment for at least twelve months during the 18 months preceding the semi-retirement and is not in receipt of an employment pension. The detailed eligibility conditions vary somewhat under the different pension systems. The amount is roughly half of the difference between the earnings of full-time employment and earnings of the part-time hours. It constitutes taxable income. The reduced working time has to be about half of full-time hours. The working time arrangements are flexible.

Financial Resources

Employment pension insurance is a benefit based on an employment relationship. The employment pension insurance of employees is financed by earnings-related contributions paid by the employers (16.2% of payroll is the average in the private sector) and since 1993 the employees have also contributed to the financing of employment pension contribution (4% of salary). The employer contributions finance about 90% of expenditure and the employees contributions 10%.

Institutional Support

The Ministry of Social Affairs and Health, the Social Insurance Institution (KELA), Central Pension Security Institute, insurance companies.

Duration

Ongoing.

Effects

| Year | Expenditure | Recipients |
|------|-----------------|------------|
| 1992 | FIM 37 million | 1,219 |
| 1993 | FIM 62 million | 2,257 |
| 1994 | FIM 137 million | 4,467 |

Vocational rehabilitation services (*Ammatillinen kuntoutus*)

Aim

Maintaining or restoring the capacity to work.

Legal Basis

Employment pensions legislation, accident insurance legislation.

Contents

Persons whose work and earnings capacity is significantly impaired by an illness, defect or injury are entitled to the vocational training or coaching necessary to maintain or enhance their working capacity, to financial assistance or interest-free credit to help with self-employment, and the basic education needed to enter vocational training. Persons with severe handicap needing various devices for work and study may be supplied with the necessary equipment.

Persons aged 16-64 resident in Finland are eligible for a taxable cash benefit called Rehabilitation allowance when prevented from performing their regular work by disability.

Financial Resources

Financing is provided through employer and employee contributions and from the government budget. The Social Insurance Institution (KELA) manages the funds. KELA can provide or reimburse costs of other rehabilitation services with funds specially allocated for this purpose in the public budget. If an employer continues to pay wages or salary, the part of the rehabilitation allowance corresponding to regular pay is reimbursed to the employer.

Institutional Support

The Social Insurance Institution (KELA) assesses the need for rehabilitation and provides rehabilitation courses and services. Adaptation training courses are often provided by non-governmental organisation representing the handicapped. The municipalities have an obligation to provide counselling on rehabilitation and they arrange for sheltered employment. Disabled clients at the employment office are entitled to all available services (employment services, counselling, labour market training, vocational rehabilitation, vocational guidance and information). Ninety local employment offices have specially trained officials for advising and placing the disabled.

Duration

Ongoing.

Effects

Sheltered employment arranged by municipalities employed about 3,000 disabled workers in 1993.

7. Placement

- FIN-vii.1 Vocational information services (*Koulutus- ja ammattitietopalvelu*)
- FIN-vii.2 Vocational guidance (*AmmatINVALINNAOHJAUS*)
- FIN-vii.3 Employment assistance for employers (*Työllistämistuki työnantajalle*)
- FIN-vii.4 Employment assistance for jobseekers (*Työllistämistuki työnhakijalle*)

FIN-vii.1

Vocational Information Services (*Koulutus- ja ammattitietopalvelu*)

Aim

The aim of the information services is to support individuals in their search and application for vocational training by providing information about the vocational training possibilities available, contents of jobs and the labour market.

Legal bases

The Employment Services Act, L1005/93 and the Employment Services Decree, A1251/93.

Contents

Information services are rendered in the employment offices. Each employment office has an information service point with material available for clients. The material is in printed form, in video-tapes and in computer data bases.

There are also information service officers in each employment office, who provide counselling and help the clients to find the appropriate information by themselves.

Information services are open to all clients. No appointment reservation is needed. Information services are free of charge for the clients. Information services also contain a European dimension: information is given about the training possibilities in all EU-countries and other foreign countries as well.

Financial resource

The services are financed by central government.

Institutional Support

The Ministry of Labour co-ordinates, organises training, delivers information material and supports a broad, on-line computer system for information services.

Vocational guidance (*AmmatINVALINNAHOJAUS*)*Aim*

The aim of vocational guidance is to assist individual persons to solve problems related to vocational choice, career development and access to work. In the counselling process the resources of the client as well as the opportunities in the education system and on the labour market have to be considered.

Legal basis

The Employment Services Act (1005/93) and the Employment Services Decree (1251/93).

Contents

Vocational guidance is provided by 250 vocational counselling psychologists in more than 100 employment offices. Normally, the counselling process consists of one or more interviews and additional measures such as testing, training course, work experience scheme, etc. Counselling is provided individually and in groups according to the needs of the clients. For the individual client the service is free of charge.

Specific vocational counselling is available for the young, adults and the handicapped.

Financial resources

The services are financed by central government.

Institutional Support

The Ministry of Labour is responsible for further training of personnel, the development of counselling methods, the information system and the publication of information material.

Employment assistance for employers (*Työllistämistuki työnantajalle*)

Aim

Employment assistance to employers serves the purpose of reducing unemployment, particularly among the young, the long-term unemployed and those threatened by exclusion from the labour market. The purpose of subsidised jobs is to develop and upgrade the skills and capabilities of the unemployed to improve their employability.

Legal Basis

Employment Decree amendment 273/95.

Contents

The formal decision on granting employment assistance is made by the local employment office. Before taking decisions on employment assistance the local employment office will try to direct jobseekers to vacant jobs or to training. If no other avenues of employment are available, the employment office can decide to offer the employer assistance for staff recruitment. This assistance can be paid to government offices or agencies, local councils and regional authorities for local government, and to companies or businesses in the private sector, including associations and foundations. Employment assistance can be granted for regular employment relationships, job training, apprenticeship schemes as well as re-training people returning to working life.

The level of employment assistance and the duration for which it is granted can be tailored on a case-by-case basis.

The employer informs the employment office of his staff needs and the office then draws up a short-list of candidates from which the employer selects those who best meet the specifications set.

Training or rehabilitation can also be offered in conjunction with employment assistance to provide a package of services tailored to the employer's needs. Working closely together with the employer and the unemployed jobseeker, the local employment office can provide a full package of services to improve the professional skills and capabilities of the job applicant. The maximum duration of the complete package of services is 18 months.

The employment assistance available for private companies is intended as a recruitment and development subsidy. It can be granted in the following cases:

- the company signs an apprenticeship contract with a young unemployed person as designated by the employment office;
- the company signs a permanent contract of employment;
- the company receives employment assistance for providing preparatory job opportunities to special groups with poor employment prospects.

Financial Resources

Government budget. In 1994 expenditure amounted to about FIM 3,020 million; the average employment effect was 55,600.

Institutional Support

Local Employment Offices, Ministry of Labour.

Duration

In the present form since April 1995.

Effects

Will be evaluated by the Ministry of Labour.

Employment assistance for jobseekers (*Työllistämistuki työnhakijalle*)

Aim

To alleviate long-term and youth unemployment and to reduce the threat of exclusion from the labour market for the handicapped and other groups by enhancing the employability of those jobseekers.

There is a link between employment subsidies and unemployment security in that subsidised work either brings the jobless person within the coverage of the daily unemployment allowance, or allows him/her to requalify for such an allowance.

Legal Basis

Employment Decree amendment 273/95.

Contents

The employment office together with the jobseeker draws up an individual employment plan which may include training, rehabilitation, apprenticeship training or other practical training at the work-place. Working closely together with the employer and the unemployed jobseeker, the local employment office can provide a full package of services to improve the professional skills and capabilities of the job applicant. The maximum duration of the complete package of services is 18 months. The maximum duration for subsidised employment is 10 months except for the disabled, who can be offered a two-year package.

The assistance may be given directly to the jobseeker for practical training at the work-place not involving an employment contract, or as a form of start-up grant to start his/her own business. In the case of a fixed-term employment relationship, apprenticeship training and job opportunities in preparation of return to the labour market the assistance may be paid to the employer to cover the labour costs incurred. The assistance is normally worth about FIM 2,500 per month but may reach a maximum of about FIM 4,500 a month. The employment office may set the conditions for payment.

Financial Resources

Government budget; in 1994 expenditure was about FIM 550 million and the average employment effect during the year 10,600.

Institutional Support

Local Employment Offices and Ministry of Labour.

Duration

In the present form since April 1995.

Effects

Will be evaluated by the Ministry of Labour.

8. Miscellaneous

FIN-viii.1 Pay security (*Palkkaturva*)

FIN-viii.2 Co-operation by the Finnish labour market administration with Central and Eastern Europe (*Työhallinnon yhteistyö Keski- ja Itä-Euroopan maiden kanssa*)

Pay security (*Palkkaturva*)

Aim

The pay security system protects employees against income losses should the employer go bankrupt or go into liquidation.

Legal Basis

Pay Security Act (*palkkaturvalaki* 649/73) and Pay Security Decree (*palkkaturva-asetus* 883/73) as amended.

Contents

Receivables based on an employment relationship under the Contracts of Employment Act (*työsopimuslaki* 320/70) can be paid as so-called "wage security". They include pay, daily allowances, travel allowances, annual holiday pay, etc., including all compensation liability based on an employment relationship. The receivables of persons with authority in a joint stock company by virtue of ownership and of the responsible partners in partnerships are not covered. This also applies to receivables from work commissioned in the case of self-employed. The maximum amount payable to an employee for work performed for one and the same employer is FIM 50,000 (FIM 75,000 as of 1.1.1996).

Financial Resources

In paying "wage security" to the employee the authority requires the employer to repay the amount concerned to the Government at 16% interest. Ultimately, the employers finance the system collectively, as every year the central fund of the unemployment funds pays the government retroactively the difference between the capital sums paid out in pay security and those recovered from the employers. Budget appropriation FIM 250 million.

Institutional Support

Pay security is the concern of the Ministry of Labour and the district labour offices. The district office in the area where the employer is based takes the decisions. Pay security application forms are available in all employment offices. The settlement of claims which were due more than three months prior to the submission of the application are not receivable.

Duration

Since 1973.

Effects

| Year | Pay security payments (FIM million) | Repayments by the employers (FIM million) |
|------|--|--|
| 1991 | 375,9 | 70,1 |
| 1992 | 573,2 | 141,2 |
| 1993 | 503,9 | 165,0 |
| 1994 | 348,3 | 226,4 |
| 1995 | 113,4 (Jan.-Sept.) | 55,7 |

Target for 1994 for the percentage of pay security applications processed within two months was 70%; result obtained was 76%.

FIN-viii.2

Co-operation by the Finnish labour market administration with Central and Eastern Europe***(Työhallinnon yhteistyö Keski- ja Itä-Euroopan maiden kanssa)***

The Finnish Government adopted an action plan for Central and Eastern Europe in March 1993. Its main objectives are to promote pluralistic democracy, to create favourable conditions for economic and industrial co-operation and to improve basic social services in Central and Eastern Europe. The action plan is carried out jointly by several sectoral ministries and co-ordinated by the Ministry for Foreign Affairs.

In geographical terms the co-operation between the Finnish labour market administration and Central and Eastern Europe focuses on the adjacent areas in Russia, i.e. the Murmansk region, the Republic of Karelia, St. Petersburg, the Leningrad region, and on the Baltic States and Hungary.

Targets and priorities of the co-operation are based on the principles of the above-mentioned action plan of the Finnish Government. The aim is to promote economic co-operation and to provide expertise to the labour authorities of the target countries/areas in their efforts to develop their organisation and services.

As regards the expertise provided to labour authorities, employment services and issues related to occupational safety and working environment are prioritised. The activities include, for instance, mutual exchange of information and experts, seminars and the organisation of training.

Economic co-operation will be promoted, for instance, by arranging labour market training in order to meet the training needs of employees primarily of Finnish enterprises or joint ventures in the adjacent areas. The co-operation projects are mainly implemented by the labour districts and occupational safety inspectorates, to which the Ministry of Labour has delegated these tasks.

In addition to the budget-financed co-operation described above, the Ministry of Labour also carries out projects funded by international financial institutions. The project concerning the development of vocational guidance system in Russia is a World Bank funded project. The TACIS-project with Finnish development co-operation funding concerning the development of occupational safety legislation in Russia started in 1995.

CHAPTER IV INFORMATION AND RESEARCH

1. Labour Market Statistics

"Statistics Finland" the official statistical office and the Ministry of Labour compile labour market statistics in Finland. Statistics Finland's monthly labour force survey and annual employment statistics provide data on the working age population and labour force. The Ministry of Labour draws up employment service statistics and issues a monthly bulletin on the employment situation.

1.1 Labour force survey (LFS)

This monthly sample survey which samples 12,000 persons aged 15 to 74 years has been produced since 1959. The data concern the survey week including the 15th day of each month. The definitions used in the LFS comply with ILO recommendations. It provides data with various classifications on the working age population, labour force, employed persons, unemployment, hours of work, participation rates, persons out of the labour force, etc.

Every second autumn a supplementary interview is made with a part of the sample (approximately 10,000 persons) providing detailed data on changes in working life, job search, etc. The LFS is produced by Statistics Finland and the main publication is called 'Labour Force Statistics' (monthly and annual).

1.2 Employment statistics

Annual cross-sectional employment statistics have been produced since 1987 by Statistics Finland. These provide regional data on the employment situation at the end of the year. The statistics are collected by combining data from various administrative registers and the main publication is *Työssäkäyntitilasto* (Employment Yearbook).

1.3 Employment service statistics

Employment service statistics are used mainly for administrative purposes. They are register-based monthly statistics that provide data on the clients and activities of employment services. The statistics are compiled in connection with the service function of the employment offices. They include both monthly and annual cross-sectional and flow data. Monthly stock and flow statistics provide data on the whole country and regional data with various classifications on job applicants, unemployed jobseekers at employment office, job vacancies at employment offices, completed spells of unemployment, reasons for termination of unemployment, redundancies (lay-offs, shortened working weeks), subsidised employment, labour market training, duration of unemployment (including long-term unemployment), employment service for foreign applicants, etc.

Annual flow statistics provide the same information on a yearly basis. In addition separate statistics produced by the Ministry of Labour are compiled for occupational accidents, vocational guidance and pay security. The main publication is the Finnish Labour Review (quarterly).

Statistics on unemployment compensation are produced by the Ministry of Social Affairs and Health.

2. Labour Market Research

Labour market research is considered as a strategic resource for the labour market administration. It has three main goals:

- to help understand the labour market and the impacts of various labour market policy operations;
- to help anticipate changes in the labour market;
- to help achieve positive and avoid negative changes in the labour market and labour market policy.

The information provided by research activities is mainly required for labour market policy, labour force, employment, unemployment, industrial relations, working environment and working conditions, physical and psychological health of employees and to ascertain impact and efficiency of various interventions. Research activities are mainly financed by the Ministry of Labour. Part-financing is used in cases where research focuses on the fields of several ministries such as unemployment, social benefits, vocational training, health and migration. Specific research activities are purchased from independent universities and other research organisations. The use of external organisations, serves to maximise objectiveness and scientific standards. The Planning Secretariat of the Ministry of Labour publishes a quarterly bulletin 'The Finnish Labour Review' which includes statistics, articles and information on recent labour market policy studies. The summaries and statistical headings are also reproduced in English.

All research activities commissioned by the Ministry of Labour are undertaken with a view to publication. The study and survey reports are published either in the publication series of the Ministry of Labour or in the series issued by the relevant research organisations. The series of the Ministry of Labour are called 'Studies in Labour market policy' and *Työhallinnon julkaisuja*. The reports are usually produced in Finnish but they include short English abstracts. A few studies are published in English, too.

3. Working Environment Research and Development

Working Environment Research is carried out at the Working Environment Division and the Occupational Safety and Health Division of the Ministry of Labour and also at the Institute of Occupational Health. The main areas of research of the Research Unit of the Working Environment Division concern industrial relations, work organisations, quality of working life and productivity. The Working Environment Division of the Ministry carries out research and development projects aiming at enhancing the quality of working life and productivity. The emphasis is laid

on organisational development, competence and flexibility. The Working Safety Division carries out projects which are targeted at improving the physical working environment.

The Research Unit of the Working Environment Division has a five-year research and development programme called *Workplace Finland – Workplace Europe*. It focuses on analysing the strengths and weaknesses of Finnish working life and creating new, innovative forms of organisation. Great emphasis is also laid on international comparisons and benchmarking as well as development projects.

Appendix 1: Abbreviations

| | |
|-------|--|
| AKAVA | The Confederation of Unions for Academic Professionals in Finland |
| EEA | European Economic Area |
| EURES | European Employment Services |
| FIM | Finnish markka |
| ILO | International Labour Organization |
| IOM | International Organization of Migrants |
| KELA | Social Insurance Institution (SII) <i>Kansaneläkelaitos</i> |
| KEKO | Development training programme for SME s and training of specially educated unemployed in the SMEs <i>Pienten ja keskisuurten yritysten kehittämiskoulutus</i> |
| KISV | Negotiation Committee for the Finnish Lutheran Church <i>Kirkon sopimusvaltuuskunta</i> |
| KT | The Commission for Local Authority Employers <i>Kuntatyönantajat</i> |
| LFS | Labour force survey |
| LTK | The Employers Confederation of Service Industries in Finland |
| LTY | Employers' Association for Public Enterprise <i>Liikelaitosten Työnantajajhdistys</i> |
| MTL | Federation of Agricultural Employers <i>Maaseudun Työnantajaliitto</i> |
| OECD | Organization of Economic Development |
| SAK | The Cental Organisation of Finnish Trade Unions <i>Suomen Ammattiliittojen Keskusjärjestö</i> |
| SII | Social Insurance Institution <i>Kansaneläkelaitos (KELA)</i> |
| STTK | The Finnish Confederation of Salaried Employees <i>Toimihenkilökeskusjärjestö</i> |
| TT | The Confederation of Finnish Industry and Employers <i>Teollisuuden ja työnantajain keskusliitto</i> |
| VTML | The State Employer's Office <i>Valtion työmarkkinalaitos</i> |
| WAPES | World Association of Public Employment Services |

Appendix 2: National Correspondents

Belgium

Joseph Remy, Ministère de l'Emploi et du Travail

Denmark

Karen Thrysoe, Arbejdsministeriet

Germany

Jochen Jahn, Bundesministerium für Arbeit und Sozialordnung

Detlef Hein, Bundesanstalt für Arbeit

Greece

Ekaterini Kritikou, Ministry of Labour

Spain

Delmira Paz Seara Soto, Ministerio de Trabajo y Seguridad Social

Finland

Tuuli Raivio, Ministry of Labour

France

Henri Roux, Ministère de l'Emploi et des Affaires Sociales

Claudine Elhaik, Agence Nationale pour l'Emploi

Ireland

Frank Doheny, Department of Enterprise and Employment

Italy

Mariarosaria Damiani, Ministero del Lavoro e della Previdenza Sociale

Luxembourg

Jean Hoffmann, Administration de l'Emploi

Netherlands

Ronald van Bekkum, Arbeidsvoorzieningsorganisatie

Austria

Johannes Schweighofer, Bundesministerium für Arbeit und Soziales

Marius Wilk, Arbeitsmarktservice

Portugal

Victor Viegas, Ministério do Emprego e da Segurança Social

Sweden

Mats Wadman, Arbetsmarknadsdepartementet

Palle Landin, Arbetsmarknadsstyrelsen

United Kingdom

Graham Archer, Department of Education and Employment

John Frankham, Employment Service

European Commission

Sergio Piccolo, DG V/A/2

