



Integrated approaches to active welfare and employment policies: summary

Finland

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Finland's system of unemployment benefits

In Finland, the unemployment benefit system and the system for last-resort minimum income form a comprehensive whole. The unemployment benefit system comprises mainly an earnings-related daily allowance, a basic daily allowance and a means-tested labour market support. The last-resort minimum income system consists of a means-tested social assistance paid by the local authority.

For unemployed persons who are members of a trade or professional union and whose work history is sufficiently long, subsistence during unemployment is guaranteed by an earnings-related benefit based on insurance and prior earnings. This earnings-related benefit is payable for a maximum period of 500 days. After this period, or if the unemployed person is not entitled to any earnings-related benefit, subsistence is guaranteed by the basic daily allowance of the unemployment benefit system or by the means-tested labour market support. For persons under 25 years of age, the labour market support is conditional on the person's efforts in seeking employment or training.

The social assistance is intended to provide temporary help, when there is no other income or when available income is insufficient to ensure basic subsistence. In many cases, the labour market support, in particular, is so low that the unemployed is forced to rely on social assistance as well (as a supplementary benefit). Almost half of all social assistance recipients also receive unemployment benefit.

At the start of the 1990s, Finland suffered an economic recession which raised the number of unemployed to peak levels and meant an increase in the number receiving unemployment benefit and social assistance. Prolonged periods of employment led to a situation in which an increasing number of unemployed people lived on means-tested minimum income support (labour market support, social assistance) instead of the primary welfare benefits. The core of the common clientele of the employment and social welfare authorities consists precisely of those long-term unemployed whose entitlement to earnings-related benefits has expired and those (often young) unemployed who are social assistance clients and targets of various employment and activation schemes.

Tasks of the employment and the social welfare authorities

In Finland, employment policy is defined as efforts made and measures taken to selectively promote the operation of the labour market. The policy comprises both passive (unemployment benefits) and active elements.

The main functions of the public employment policy relate to (i) general economic policy (counter-cyclical measures etc.), (ii) industrial policy and (iii) redistributive policy or social policy. The relative importance of these functions will vary depending on upward and downward trends in the economy. Since 1994, the economy has continued to grow in Finland. This growth, however, has occurred partly without the anticipated increase in jobs. The authorities have been confronted with a rate of structural unemployment unusually high in Finland. In order to ensure continued economic growth, there has been a deliberate emphasis in official policy on the economic policy and industrial policy functions of employment policy. In this situation the approach to high structural unemployment has been driven by both incentives and disincentives. The disincentive approach is exemplified by repeated demands for a downward scaling of the unemployment

benefits in connection with prolonged unemployment - and by demands for increasing the obligations linked with social security.

Inherently conflicting definitions of the task of employment policy have led to different perception of the situation between employment and social welfare administrations. The employment policy strategists and the political leadership whom we interviewed clearly had the impression that the employment offices had had to deal with an unreasonable share of social-policy tasks during the years of mass unemployment. As the employment administration also has to ensure the profitability of its operations, resources available for unemployed people have to be targeted so as to ensure the best possible outcomes. Basically, the redistributive function of employment policy is to find paid employment for people who are difficult to employ, preferably in the open labour market. The basic function of the social welfare administration, on the other hand, is to help those excluded from the labour market to regain control over their lives and to stop the exclusion process. In this endeavour, employment is seen as just one solution among many others, although indisputably the most important. The differences in the missions of the two authorities are reflected in the Finland's system of unemployment benefits and minimum social security benefits and coordination efforts at all levels of public administration.

Activation policy and its development

In recent years, activation policy has been a central issue in both the employment administration and the social welfare and health care administration. Activation measures carried out have included changes in the benefit systems (notably sanctions) and attempts to increase the active element in the service system. For example, in 1996-1997, the labour market support was made conditional for young people under 25 without any vocational qualifications. Further, in 1996, it became possible to reduce the last-resort social assistance by way of sanction if the recipient refuses an offer of work or refuses to participate in activation measures. In the 1998 social assistance reform, the sanctions for refusal of an offer of work were further strengthened. At the same time, the service process of the employment offices was reformed so as to increase the active element by instituting job- seeking plans and regular interviews of unemployed persons.

In addition to these measures, a large number of special initiatives and support measures have been adopted by the Finnish employment authorities over the years in an attempt to solve the problems of long-term unemployment. Among the key tools are employment subsidies and labour market training. Recipients of last-resort social assistance qualify for activation measures organised by the employment authorities, if they are registered as unemployed with an employment office. In recent years, a number of municipalities (local social-welfare authorities) have introduced measures to promote the employability of those who are the most difficult to employ.

Reform of the active social policy

Solutions to activation policy problems and to problems posed by the situation of the common clients of the employment and social welfare authorities were last sought in two ministerial working groups in 1999. The first broad-based working group (the Välimäki Working Group) aimed at finding solutions to the situation of the common clients by structural and legislative means. The second working group (the Väärälä Working Group) specifically looked at ways of improving the employment and social welfare services and of increasing Finland's system of unemployment benefits and minimum social security benefits within the framework of the existing structures and regulations.

The proposals of the two working groups were used as a basis in preparing a reform of the active social policy. These preparations culminated in a decision-in-principle by the Government, under which a bill called for a rehabilitative work and various legislative amendments to promote activation were introduced in Parliament as part of the National Budget 2001 and the new legislation will be enter into force in September, 2001. Key innovations to be introduced include strengthening the requirement for Finland's system of unemployment benefits and minimum social security benefits between the local social welfare authorities and state-governed employment offices, ensuring an earlier intervention by the local authorities in the unemployment process at the level of the individual, and laying down provisions for the local authorities to institute special rehabilitative work schemes for long-term social welfare clients. After a complex conciliation procedure, rehabilitative work will be obligatory only for young unemployed persons under 25 years.

Institutional basis for coordination

In Finland the institutional structures and legislative basis for coordination between the employment and social welfare administrations and for Finland's system of unemployment benefits and minimum social security benefits at the client level are relatively strong and binding - even without reforms. The key regulations on Finland's system of unemployment benefits and minimum social security benefits in social welfare are contained in the framework legislation for municipal social welfare, the Social Welfare Act and the Social Assistance Act. Key regulations on coordination in the employment administration are to be found in the Employment Services Act and the Employment Act.

Old and new forms of cooperation

The Ministry of Social Affairs and Health and the Ministry of Labour co-operate at the national level in various forums, preparing reforms, legislation and national action plans linked to the functions of the employment and social welfare administrations. Among the most recent examples is the reform of the active social policy drawn up in ministerial working groups. The working groups consisted of representatives of the two ministries, social partners and social welfare organisations.

Finland's system of unemployment benefits and minimum social security benefits between employment and social welfare authorities varies in its regularity at the local level. In 1998, a survey indicated that the most common form of Finland's system of unemployment benefits and minimum social security benefits was exchanging information about clients by telephone, joint discussions (with the client present), discussions about Finland's system of unemployment benefits and minimum social security benefits issues, and various projects. In several municipalities, common services based on different levels of coordination have been piloted.

One highly advanced example of this development is a common reception model in which the client has access to the services of the municipal social welfare office and the national employment office and all relevant officials with the necessary powers of decision. The intention is to test this model on a wider scale under controlled circumstances in about ten municipalities from 2001. A new service form intended for common clients is to be introduced in connection with the reform of the active social policy (2001). It concerns an activation plan (in certain cases obligatory), of which the rehabilitation work instituted by municipalities will be a part. The intention is that the activation plan would be produced jointly by the employment and social welfare authorities.

Opinions about the extent to which client-level Finland's system of unemployment benefits and minimum social security benefits and coordination of the activities of local authorities can be advanced by legislation vary from one respondent to another. Generally speaking, key employment-policy strategists see the proposed reform in a positive light - primarily because it is the municipal social welfare officials that will get more responsibility for common clients. The perception is that managing the plight of the problem-ridden long-term unemployed demands an expertise in social work which is lacking in employment offices.

Social welfare strategists for their part considered one positive aspect of the reform to be that it would create prerequisites for a new kind of cooperation at the local and client level. It was also suggested that genuine cooperation at the local level calls for common strategies to be defined, objectives and target groups to be identified and appropriate commitments to be given.

Local cooperation practices on a case-by-case basis

The cases we examined represented three different models for cooperation between the employment and social welfare authorities in municipalities of different sizes situated in different parts of Finland. The cooperation models related to a new type of joint service office of the employment and social welfare authorities (in Vantaa), an employment project for social assistance recipients (in Hämeenlinna) and a cooperation group for rehabilitative client service (in Kitee).

The Vantaa model with its employment orientation centre represented the most recent innovation and largely followed the proposed joint reception model of the employment and social welfare administrations. The model relies on integrated cooperation between the employment and social welfare authorities and on comprehensive investigation of the situation of social assistance clients who are difficult to employ. In the Hämeenlinna project, long-term unemployed recipients of social assistance are employed using the resources of both the employment and social welfare administrations, specifically a new employment subsidy called a combined subsidy.

The cooperation group for rehabilitative client service, which was the third model we examined, represented established cooperation between several different authorities. The group strives for a comprehensive solution to a situation in which there are multiple problems. The group facilitates cooperation not only at the client level but also between different local authorities.

The research data indicated clearly that the driving force behind local cooperation between the employment and social welfare administrations was the social welfare administration. Differences in the definition of the duties of the employment and social welfare authorities are reflected in their willingness to cooperate at the local level. The fact that social welfare authorities are more active in finding new forms of cooperation is explained by their responsibility for social services and last-resort social security. The development of cooperation is therefore in their special interest.

The research material also reveals that there is a clear need for coordination of the employment and social welfare services from the perspective of both the clients and the staff. Client feedback stressed the need for an early clarification of the situation, a service focusing on the individual, and continuity. In the broader context of project evaluations, this kind of features typical of individualised case management have also been cited as examples of best practices.

For more information about Foundation research on this subject, please contact:

Teresa Renehan
Information Liaison Officer
Telephone: (353 1) 204 31 26
Fax: (353 1) 282 64 56
E-mail: ter@eurofound.eu.int

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