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**THE OECD THEMATIC REVIEW ON REFORMING SICKNESS AND DISABILITY
POLICIES TO IMPROVE WORK INCENTIVES**

COUNTRY NOTE - FINLAND

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1 Introduction

1.1 Forces shaping policy development and socio-economic context

1.1.1 Recent trends in the economy and labour market

In the new millennium, the Finnish economy has developed favourably, resulting in a considerable increase in the demand for labour. In 2006, production went up by nearly 6%. Economic development was speeded up by the rapid increase in the productivity of labour. The greatest number of new jobs have been created in private services and construction. The employment rate has gone up from 66.9% to 68.8% in six years. In 2006, the average number of the employed was 2,444,000 people, or 41,000 more than the year before. While there were an average of 321,000 unemployed jobseekers registered with the Employment Offices in 2000, in 2006 their average number was no more than 250,000. Even if long-term unemployment has shown a clear downward trend, the average number of jobseekers registered with the Employment Offices who have been unemployed for a year or more still was 64,800. In the 2000's, the unemployment rate has gone down from 10% to 7.7%.

The continuous change of work and the labour market, albeit positive, and maintaining our national competitiveness in the global market pose a challenge both to work organisations and individuals to work more efficiently and skilfully. The problems in the availability of labour are already visible, as roughly one employer out of ten is experiencing a labour shortage. One place of business out of four has encountered various types of recruitment problems. In January - September 2006, 35% of places of business already were afflicted by recruitment problems - in the construction industry, as many as one half of those having looked for labour force experienced recruitment problems. In the industries, this share was 41%, and in public services 35%.

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

1.1.2 Changing age structure and sickness and disability policies

The full impact of the ageing of the population on the development of the economic dependency ratio will begin to be felt in the 2010s and 2020s. However, the fact that the post-war baby boom generation is approaching pension age means that Finland must adjust to a decrease in working-age population in the near future. Beginning in 2010, the number of working-age population will start to decrease. The number of population aged 20–59 will start to decrease even earlier. At the same time, the size of those age cohorts that have traditionally had a low employment rate will increase.

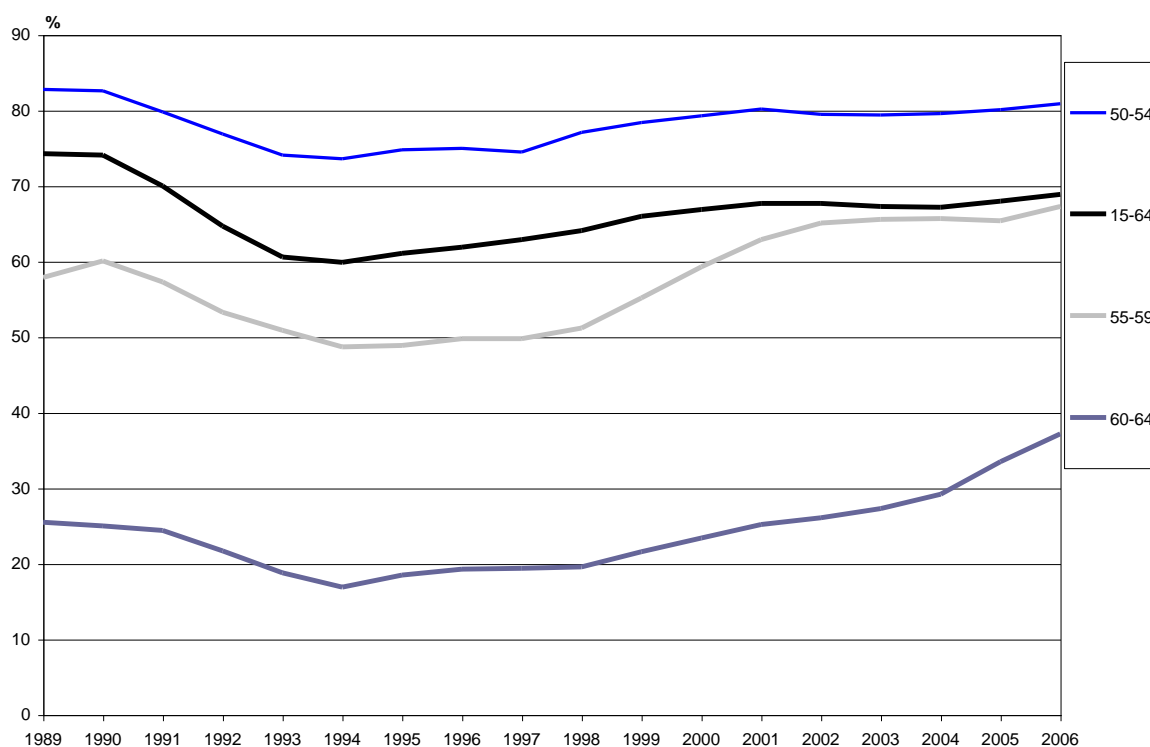
Despite the ageing workforce the government considers that it is possible to create 80,000 to 100,000 new jobs over the current parliamentary term (2007–2010). This would raise the employ-

ment rate to about 72 per cent by the end of this term. The long-term target of the government is to raise the employment rate to 75 per cent.

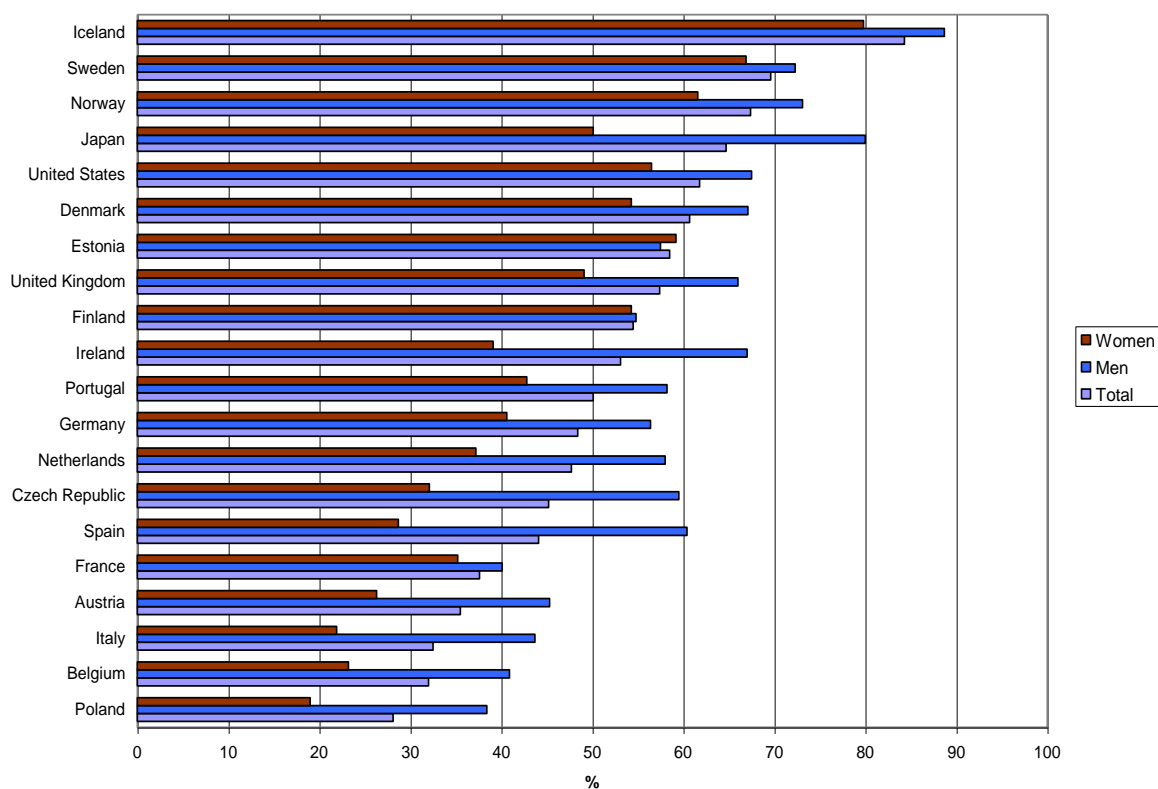
In order to achieve these ambitious targets the employment rates of all population groups must be increased. Employment rates have recently increased, especially in older age groups (Figure 1.1). The employment rates of older age groups are still clearly lower than in other Nordic countries and particularly the employment rate of older men is low (Figure 1.2). Furthermore, the increased employment rates are due to the fact that older employees are staying longer in employment. In case of unemployment or other break in employment few older workers return to working life. Improved measures and incentives to keep especially older workers employed are thus needed. In addition, measures to improve older workers' return to employment are necessary.

Sickness absence rates, measured in days per employee, are higher among older than younger age groups. The ageing workforce thus also tends to increase the sickness absence rates.

Figure 1.1. Employment rates in certain age groups, %



Source: Statistics Finland

Figure 1.2. Employment rates of 55–64-years old in selected countries in year 2006

Source: Eurostat

1.1.3 Employment of people with disabilities

In order to achieve the government's ambitious employment targets, employment rates of not only older people but of all population groups must be increased. According to OECD statistics the share of inactive in working age population due to sickness and disability is in Finland one the highest in OECD countries. The limited information available on the employment of disabled persons suggests that their employment rate is low. It also seems that changes in their employment have followed the general trend with a sharp drop in mid 1990's and gradual improvement after that. (Table 1.1).

Table 1.1 Employment of working-age (20-64) persons with right to invalidity deduction in taxation

	Share of economically active*, %				Average months in employment** during the year					
	Total		No disability pension		Total		No disability pension		Disability pension	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
1990	30.6	23.0	63.4	49.9	3.50	2.45	7.16	5.33	0.48	0.23
1991	29.8	19.3	76.9	61.7	3.39	2.03	8.70	6.59	0.68	0.27
1992	27.8	19.1	74.1	59.7	3.19	2.01	8.23	6.63	0.72	0.56
1993	20.4	15.7	68.3	56.6	2.33	1.61	7.90	6.06	0.46	0.39
1994	17.7	16.7	64.2	59.7	2.14	1.66	7.65	6.54	0.51	0.37
1995	17.2	13.5	66.8	59.1	2.00	1.53	7.58	6.56	0.54	0.42
1996	17.7	13.8	68.0	62.6	2.00	1.44	7.46	6.77	0.51	0.29
1997	16.4	15.0	67.9	61.5	1.94	1.55	7.91	6.43	0.49	0.25
1998	18.8	16.7	74.4	64.9	2.16	1.72	8.38	6.69	0.47	0.28
1999	19.0	13.7	69.6	52.7	2.20	1.56	7.96	5.96	0.47	0.45
2000	18.2	16.6	63.1	51.1	2.14	1.65	7.15	5.43	0.54	0.51
2001	21.6	16.5	67.3	49.8	2.39	1.67	7.47	5.55	0.43	0.48
2002	19.5	15.9	68.0	45.2	2.29	1.50	7.78	4.47	0.49	0.54
2003	20.0	20.2	65.0	54.0	2.29	2.07	7.30	5.79	0.45	0.66
2004	21.2	20.5	64.1	56.6	2.54	2.06	7.49	6.22	0.61	0.75
2005	20.9	17.4	58.9	54.5	2.41	1.83	6.94	6.21	0.75	0.65

*As an employee or self-employed. Main activity during the year. **Including months as self-employed.

Source: Ministry of Social Affairs and Health / IDS micro data.

Recipients of disability pension are automatically entitled to full invalidity deduction

NOTE: Due to small sample size results should be interpreted cautiously

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

It is also essential to acknowledge that many disabled persons are neither employed nor receive any disability benefits (Table 1.2.). It is important that authorities identify also the needs of these disabled persons and help them to better attach to the labour market or, when appropriate, help them to receive benefits they are entitled to.

Table 1.2. Employment status (%) of persons aged 30-64 according to two indicators of disability

Employment status	Self-perceived work ability			Self-perceived performance in usual daily activities	
	Fully able to work (n=4169)	Partially disabled (n=680)	Totally disabled (n=331)	No problems (n=4336)	Some problems or unable (n=606)
Working full time	77	29	5	71	35
Working part-time	6	8	1	6	7
Unemployed	10	22	10	11	12
On a disability pension	1	31	81	5	43
Other	7	10	3	7	4
Together	100	100	100	100	100

Source: Health 2000 Survey, conducted in 2000/2001

1.2 Sickness and disability policies in the government programme

Government Programme of Prime Minister Matti Vanhanen's second Cabinet (April 2007)¹

In the government programme good health and work ability of the population are seen as a basis for high employment. The goal of social and health policy is to promote health, functional capacity and initiative, and diminish the differences in the state of health between the different population groups.

To guarantee equality for people with disabilities, a special *disability policy programme* will be prepared outlining the central measures to be taken in this field over the next few years. Measures to combine the Services and Assistance for the Disabled Act and the Act on Special Care for Mentally Handicapped Persons will be continued. Legislation on social firms will be reviewed to make it easier for mental health rehabilitees, people on cash rehabilitation benefit and those who have temporarily relinquished their disability pensions to find work with social companies. Steps will be taken to determine whether long-term or even permanent pay subsidies could be paid for people with reduced functional capacity irrespective of the type of employer.

The system of personal assistants for people with disabilities will be developed in stages. Funding for disability services will be increased in connection with the project to restructure local government and services, and the methods of organising and providing the services will be developed in order to guarantee the equality of people with disabilities. Active civic engagement and access to the labour market will be supported. The Government seeks to achieve an accessible society that offers equal opportunities for all. Special consideration must be given to a highly accessible information society, for example by making use of new ways of providing the services for people with disabilities.

Farmers' well-being at work will be promoted by improving the efficiency in the provision and availability of occupational health care services. The compensation system will be developed to make it possible for farmers to acquire occupational health care services from a private service provider as well.

The Government will initiate a reform to the social protection system that will be implemented in stages. The goal of the social protection reform is to offer more incentives for work, alleviate poverty and provide an adequate level of social protection in all life situations. The reform will be implemented in such a way that social protection can be funded on a sustainable basis in the long term as well.

Government Report on Disability Policy 2006

The main principles of Finnish disability policies have been presented in the "Government Report on Disability Policy 2006"². The equal treatment of people with disabilities and support for their life skills, working and functional capacity and independent living are central objectives of Finnish disability policy.

¹ <http://www.valtioneuvosto.fi/hallitus/hallitusohjelma/pdf/en.pdf>

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

The Finnish disability policy is based on the following three main principles.

1. ***The right of people with disabilities to equality.*** Finland is as a member state of the United Nations and the European Union committed to promoting a society that is open to all. In Finland, the principle of non-discrimination of people with disabilities is enshrined in the Constitution.
2. ***The right of people with disabilities to inclusion.*** The condition for realisation of the inclusion of people with disabilities is positive attitudes, taking into account their needs, identification of barriers that restrict their inclusion, and elimination and anticipation of such barriers.
3. ***The right of people with disabilities to necessary services and supportive measures.*** Services and supportive measures are positive special treatment for ensuring equality

In order to achieve disability policy goals, several general development measures were proposed in the report. The access to employment was one these goals and employment was considered pivotal for the inclusion and the best way to achieve permanent improvements in the lives of people with disabilities. The report acknowledged that it is vital to promote employment with measures affecting both employees and employers. There were few concrete reform proposals in the report. These will be included in the forthcoming disability policy programme

Strategies for Social Protection 2015 (Ministry of Social Affairs and Health, May 2006)³

The report “Strategies for Social Protection 2015” presents the views of the Ministry of Social Affairs and Health on the Finnish social protection policy over the next few years. The Ministry sums up social protection in four strategic areas

- promoting health and functional capacity
- making work more attractive
- reducing poverty and social exclusion
- providing efficient services and reasonable income security

One of the key messages of the report is that social policy should as a whole support health. Health problems tend to aggravate poverty and social exclusion.

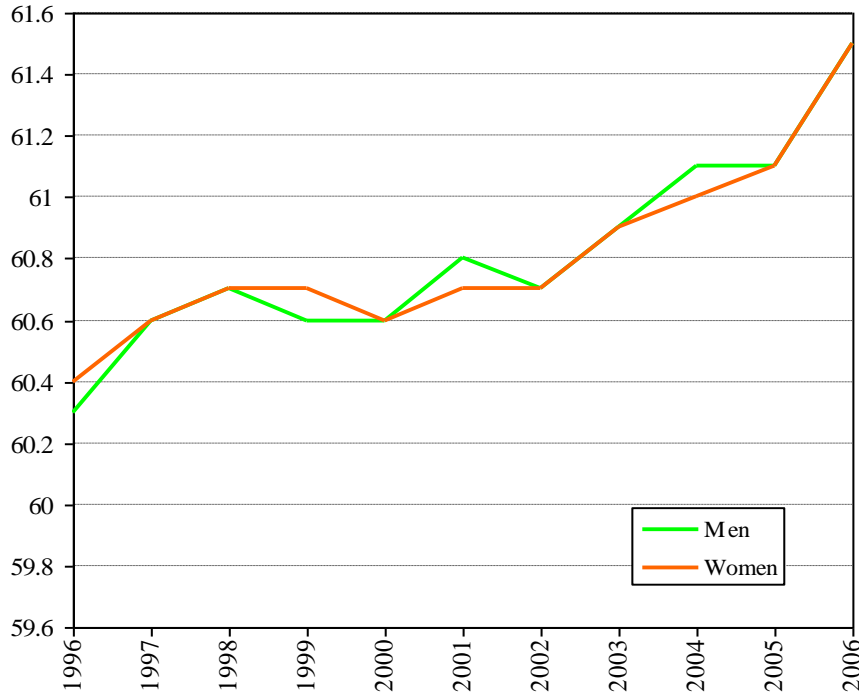
A base for lifelong health and functional capacity, and social welfare, is created in childhood and early youth. Therefore sickness and disability policies should be defined broadly and they should cover the whole life span. The first priority is to provide well-timed support for children and young people to secure a healthy and safe development and the welfare of families. Early intervention against any problems can reduce health gaps and prevent social exclusion later in life.

The main aim of health policy for people of working age is to promote work ability and general functional capacity so that people can stay on in working life for 2-3 years longer than at present. (Figures 1.3 and 1.4). Workplace-level activity and, as a part of it, management and cooperation are a key to problems with work ability and people’s wellbeing at work and their ability to stay on in work. The role of occupational health care is central in this work. Cooperation between occupa-

³ <http://www.stm.fi/Resource.phx/publishing/documents/8284/index.htm>

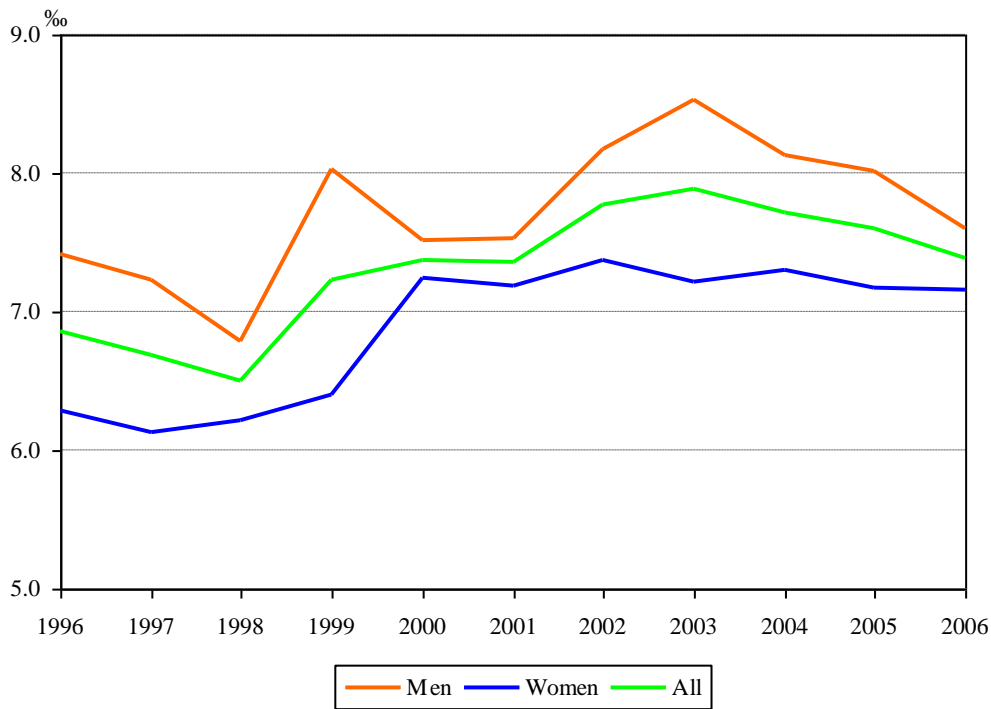
tional health care and rehabilitation will be boosted in order to reduce sick leave (Figure 1.5) and to ensure timely rehabilitation.

Figure 1.3. The expected effective retirement age for 50-year-olds in 1996-2006

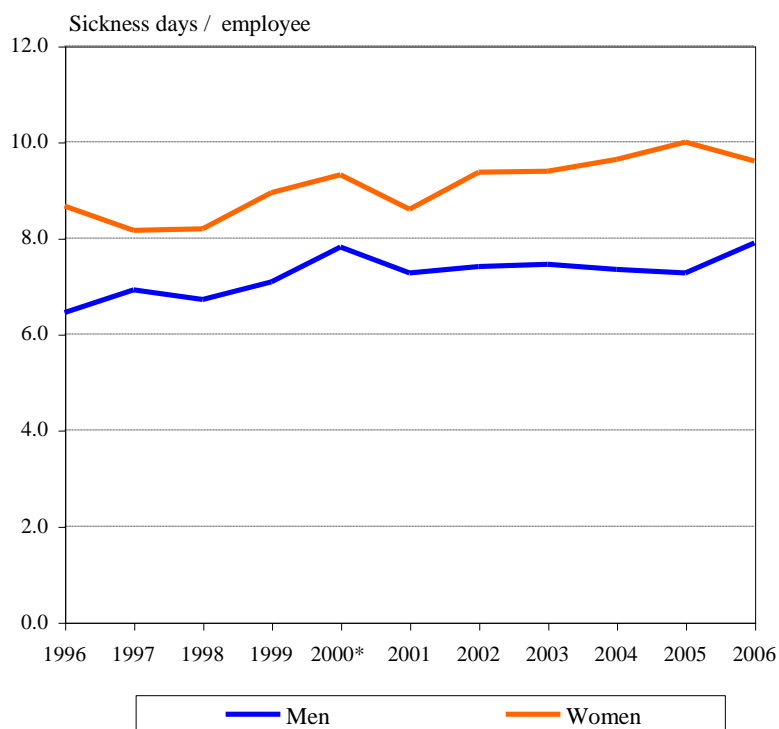


Source: Finnish Centre for Pensions

Figure 1.4. Incidence of new recipients of earnings-related pensions in the private sector for 55–64-year-olds in 1996–2006 (age-standardized)



Source: Finnish Centre for Pensions

Figure 1.5. Absences from work due to sickness 1990–2006

*Break in time series

Source: Statistics Finland, Labour Force Survey

The health of students, the unemployed, and people outside working life for reasons other than unemployment should also be given adequate attention. People with disabilities will be supported by ensuring that their local community and working environment are barrier-free and easily accessible in order to enable equal participation in society.

In practice reasons for disability are not always purely medical. In addition to measures promoting health other reforms are also needed. One option suggested in the report is a more widespread use of fixed-term disability pensions. Fixed-term pensions should also include assessment of a person's potential for returning to work after a specified period. People on disability pensions should also be encouraged to return to work with fixed-term work tryouts.

National Report on Strategies for Social Protection and Social Inclusion (October 2006)⁴

The European Union Member States compiled national reports on strategies for social protection and social inclusion for years 2006–2008. The national strategies and activities regarding prevention of poverty and exclusion, the pension system, health care, and long-term medical care were reviewed in one joint report.

The report underlined more or less the same general policy objectives and strategic goals that had been presented in “Strategies for Social Protection 2015”. There were rather few concrete reform proposals in the report.

⁴ <http://www.stm.fi/Resource.phx/publishing/documents/8585/index.htm>

1.2.1 Programmes and projects promoting employment, health and workability

During recent years the public sector has relied heavily on far-reaching programmes as means to achieve wide policy objectives and to cross sectoral and institutional boundaries. It is not possible to describe in detail activities under each programme or assess how successful these programmes have been. There is relatively little systematic evaluation of the reforms and activities under these programmes. Appendix 1 includes a short list of some on-going or already finished programmes that have significance for sickness and disability policies.

2 Income support programmes

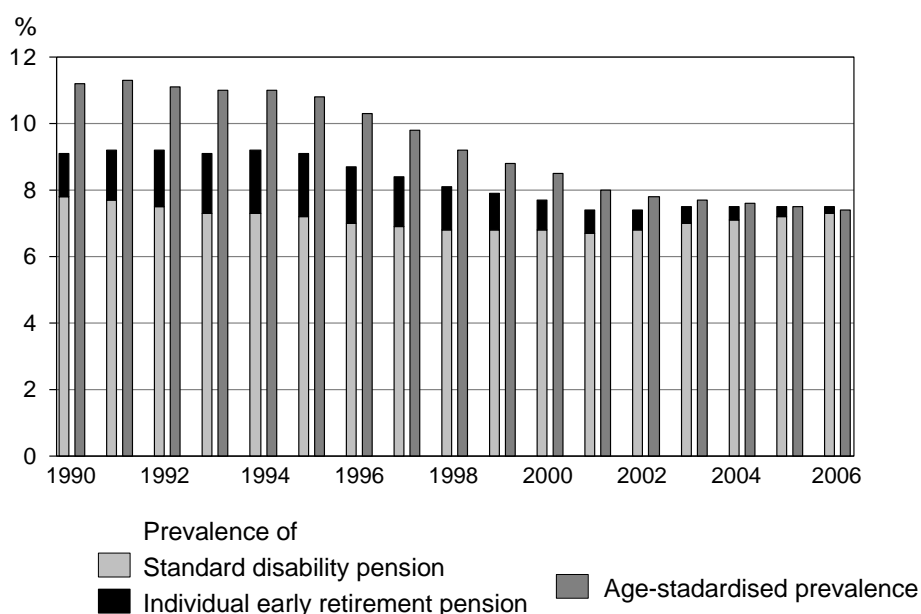
Note: If not otherwise stated the benefit rates and rules are for November 2007.

In Finland public sickness and disability cash benefits compensating for incapacity for work consist of two main benefit types: sickness allowances and disability pensions. In addition, persons undergoing medical or vocational rehabilitation may be eligible for rehabilitation benefits.

2.1 Recent trends in disability pensions and sickness allowances

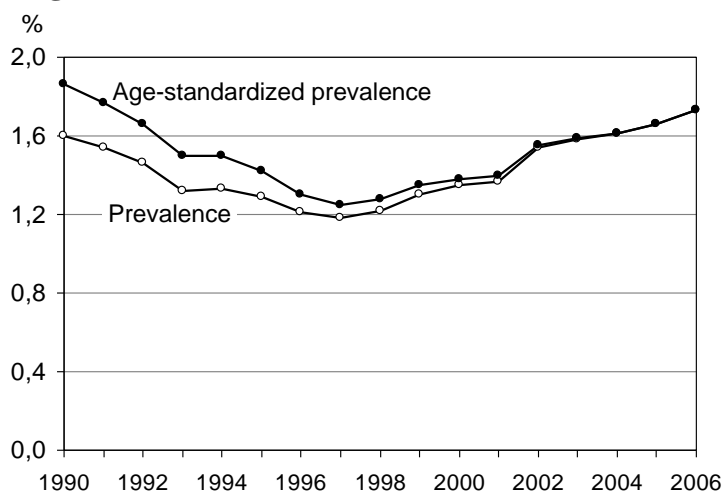
During the last few decades the general trend in disability benefits has been a downward one. The proportion of disability pensioners in the population aged 16-64 was 9.1 per cent in 1990 and 7.4 per cent in 2006. The age-standardized figures show an even steeper decline. The decline is most visible in the individual early retirement pensions due to the changes in the age-limits for this benefit.

Figure 2.1. Prevalence of disability pension recipients in the population aged 16–64 in 1990–2006



In the number of sickness allowances (Figure 2.2) and new disability pensions (Figure 2.3) the declining trend stands out in the first half of the 1990s. The number of new disability pension applications was historically at its lowest level in the mid 1990s.

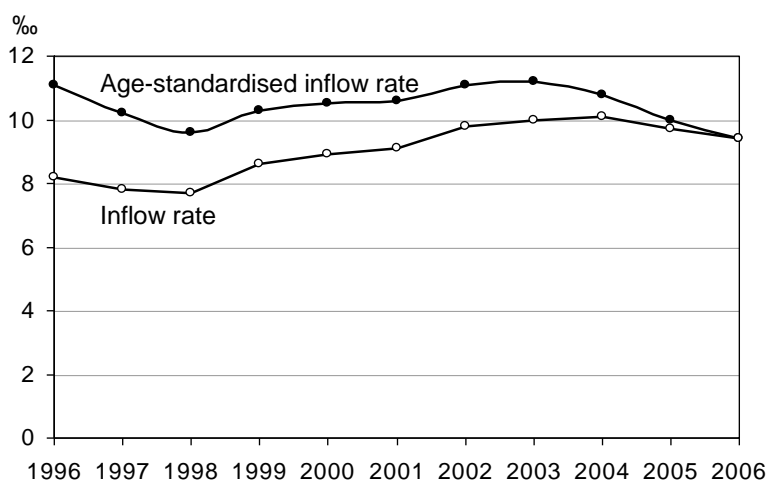
Figure 2.2. Average number of sickness allowance recipients during the year as a share of population aged 20-64, in 1990-2006



An important factor behind the development of the sickness and disability benefits in the early-mid 1990s was the deep recession experienced in Finland. The wide use of unemployment benefits, especially the unemployment pension, reduced the need for sickness and disability benefits (see e.g. Gould 2003, Hytti 2006c). Other explanations for the declining disability trend were, for example, changes in pension policy – especially the rise in the lower age-limit for the individual early retirement pensions – and activities restoring, maintaining and promoting work ability. From the beginning of the 1990s the maintenance of work ability has become more pronounced both in national level programmes and in workplace activities (Ilmarinen 2006). Also the rehabilitation measures to maintain work ability were further developed and the volume of rehabilitation services increased considerably during the 1990s.

In the late 1990s the declining trend in the sickness allowances and new disability pensions turned and they began to increase (Figures 2.2-2.4). Yet, in the last couple of years, especially in 2006, this growth was halted, and the number of new benefits decreased again.

Figure 2.3. Disability pension inflow rate in the earnings-related pension scheme in 1996-2006



A steady growth was also observable in the number of new disability pension applications from the late 1990s until the year 2004. Concurrently with this increasing trend the rejection rates of new applications were raising too. (Table 2.1.)

Table 2.1. Development of new disability pension applications¹⁾ and rejection rates in 2000-2006

	National pensions	Private sector	Earnings-related pensions Municipalities ²⁾	State ³⁾
	Number of applications			
2000	20 367	15 767	5 113	1 799
2002	23 355	19 317	5 940	1 727
2004	25 155	20 674	6 516	6 516
2005	24 061	20 400	6 898	6 898
2006	22 283	19 073	6 665	6 665
Rejection rate, %				
2000	20.7	18.5	22.0	14.2
2002	22.6	20.0	24.3	17.4
2004	27.2	22.7	22.0	14.3
2005	27.9	22.9	21.4	13.9
2006	25.7	22.2	20.2	14.7

¹⁾ Due to the structure of Finnish pension security there is no integrated statistical system on pension applications covering all pension systems, therefore the different schemes are presented separately. Statistics on national pensions include new and renewed applications whereas statistics on earnings-related pensions include only totally new applications (persons having no applications within the preceding 4 years)

²⁾ The Local Government Pensions Act, KuEL (KVTEL until 2003)

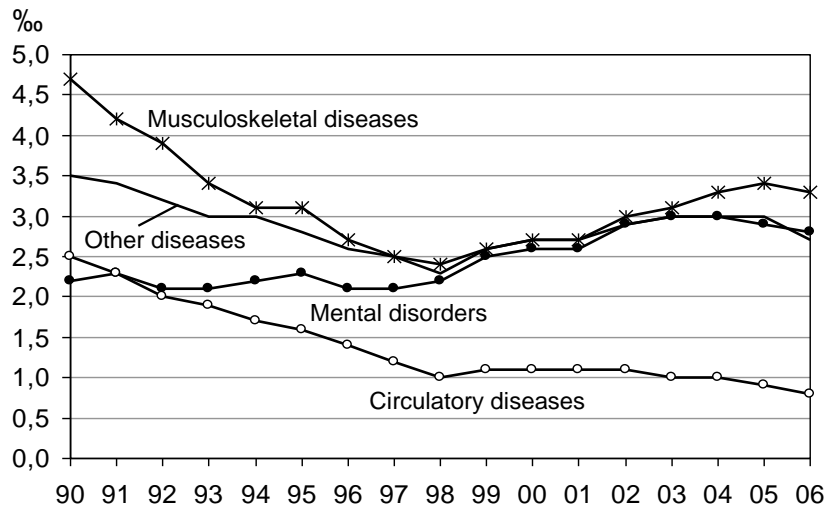
³⁾ The State Employees' Pensions Act, VaEL (VEL until 1 January 2007)

Unemployment had again an important role in the growth of the number of new disability benefits in the late 1990s and early 2000s. To some extent, it was a question of returning to a normal situation after the deep recession: the use of unemployment benefits decreased, and, thus, did not reduce the use of disability benefits any more. However, it was also a question of a decided policy line. Special programmes were launched to help the long-term unemployed with health problems to obtain a disability pension. (See section 2.10)

Illnesses causing reduction in work ability

During the last few decades there have been big changes in the proportions of different disease categories as causes of disability for work (Figure 2.4). The incidence of new disability pensions based on circulatory diseases declined rapidly especially in the first half of the 1990s. On the contrary, the incidence of pensions based on mental disorders has grown. Mental disorders and musculoskeletal diseases are now the two largest disease categories in disability benefits. The growth in the group of mental disorders is mainly attributable to major depression. In 2006, the number of new private sector disability pensions due to depression was 1.5 times the number in 1996. However, depression as an illness does not appear to have become significantly more widespread in Finland (Pirkola et al. 2005).

Figure 2.4. Disability pension inflow rate according to illness category in the private sector in 1990-2006



Cultural changes related to the acceptance and openness of mental health problems, changes in health behaviour and diagnostic patterns, and changes in the occupational structure and worklife have emphasized the role of mental health problems as a cause of disability for work. Moreover, the reasons for the great number of people with depression ending up on disability pensions have to do with problems in early intervention, treatment, rehabilitation and return-to-work practices.

It also seems that the integrative elements of the pension scheme are not functioning as well in the disease category of mental health problems as in other disease groups. Although disability pensions based on major depression are usually granted as a time-limited pension, most of them are changed to a permanent pension and only very few return back to work. The pensions based on mental health problems are also less often partial pensions than the pensions based on other illnesses. Furthermore, vocational rehabilitation provided by the earnings-related pension scheme is not as common among persons with depression as it is in other disease groups. (See Gould et al. 2007)

2.2 Sickness allowances and statutory responsibility of employers

The National Health Insurance (NHI) is the main provider of sickness allowances compensating for loss of income due to temporary incapacity for work. In case of certain special injuries and damages the compensation is paid under the Employment Accident Insurance Act, the Third-Party Motor Insurance Act or the Military Injuries Act. The prerequisite for entitlement to all types of sickness benefits in Finland is that the functional incapacity is linked to a medical health problem.

Employers have statutory responsibility for covering the initial period of sickness absence. After this statutory period, stipulated in the Contracts of Employment Act, benefits are provided under national health insurance. Collective bargaining agreements often prescribe longer periods of continued pay during illness. During this period daily allowances under NHI are normally paid to the employer.

In international comparison, the coverage of the Finnish sickness allowance system is wide. Not only the loss of income from gainful employment due to illness-related incapacity for work but

even a certain kind of unpaid work is covered giving entitlement to a minimum daily allowance after the incapacity for work has continued for at least 55 calendar days. For wage and salary earners, the waiting period for health insurance benefits normally corresponds to the above mentioned statutory employer-covered period, i.e. the onset day and the following nine working days. For unemployed people moving from unemployment allowance to the sickness allowance no waiting period is applied. Agricultural and other entrepreneurs may be entitled to an allowance from their pension provider for part of the NHI waiting period.

The sickness allowance under NHI is intended to provide income security during incapacity for work lasting less than one year or during the first year of incapacity before retirement on a disability pension. It is paid to employed and self-employed persons aged 16–67 who because of work incapacity due to an illness are prevented from carrying out their regular job or a comparable gainful activity for a maximum of 300 weekdays (incl. Saturdays). All weekdays for which the allowance has been paid during the two years immediately preceding the onset of the work incapacity generally count towards this maximum. Once the maximum limit for the payment of the sickness allowance has been reached, the allowance cannot be paid for the same illness until the person has been capable of work for at least 12 months, but it can be paid for a different illness.

The amount of sickness daily allowance can be based on previous earnings or certain preceding benefits, or it can be paid at a minimum rate. In case of employed persons the amount depends on the final taxable income of the recipient. If a person's earned income immediately before the payment of the sickness allowance was significantly higher than their final taxable income, the allowance can be based on the income for the 6 months (or fewer) immediately preceding the allowance. For entrepreneurs and self-employed persons, the allowances are calculated on the basis of their earnings under the earnings-related pension act. For recipients of unemployment benefits who start to receive, instead, the sickness allowance the amount of preceding unemployment benefit is always guaranteed in case the sickness benefit calculated on the basis of taxable income wouldn't exceed the unemployment benefit amount.

As of 2007, the allowance is equal to 70% of annual earnings up to 29,392 euros. On earnings exceeding this limit, the allowance will be less than 70% of earnings.⁵ In contrast with many other countries, there is no maximum limit. Sickness allowance is not paid if annual earnings are less than a specified amount (1,128 euros as of 2007). However, persons with no or low income are entitled to a minimum sickness allowance (15.20 euros per day in 2007) if they have been incapacitated for work for a consecutive period of 55 calendar days. Sickness allowances are financed by contributions paid by employers (73%) and employees (27 %). The costs of minimum payments of sickness allowances are fully financed by the state.

Partial sickness allowance was introduced into the Finnish system in 2007. Partial benefit may be paid to employees or self-employed people who have been on sick leave for at least 60 days and who return to work part-time. The purpose of the amendment is to facilitate return to work after a sickness leave. Following the period of prolonged sick leave, employees have the chance to return to work on a part-time basis and to receive part-time sickness benefit in addition to their earnings. Return to work part-time is voluntary and requires a contract between the employee and employer. In addition to a doctor's referral the employee must present the Social Insurance Institution with the part-time work contract that shows that working time and pay has decreased by 40–60 % during the period of part-time sickness. Part-time sickness allowance is paid for 12–72 days on the

⁵ The replacement rate is 45% for that part of earnings that exceeds 29,392 euros but is less than 45,221 euros. For that part of earnings that exceeds 45,221 euros the replacement rate is 25%.

basis of a medical certificate. The amount of the partial sickness allowance is half of the fulltime allowance.

The definition of incapacity is the same as is applied to full-time absence from work, i.e. the allowance is not determined by reference to the degree of deterioration in working capacity. The benefit cannot be granted from the beginning of the sickness spell.

2.3 Disability pensions

Main features of the Finnish pension system

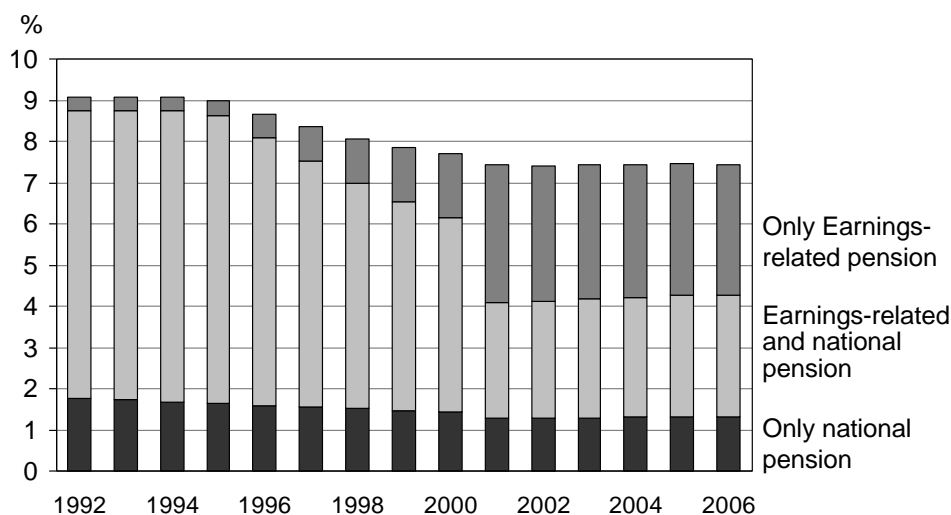
In Finland, the long-term disability benefit compensating for the loss of earnings due to incapacity for work is an integral part of the public pension provision. The Finnish statutory pension programme comprises a residence-based national pension scheme and an employment-based earnings-related pension scheme. In addition, pension benefits are also paid according to the acts on workers' compensation, motor liability and military accidents. The purpose of the national pension is to guarantee an adequate minimum pension income, and the earnings-related scheme is intended to maintain the level of consumption attained by employees and self-employed.

The national pension scheme covers all persons who are permanently resident in Finland, and the statutory earnings-related pension scheme covers all public and private sector employees as well as self-employed persons and farmers. Every employment contract and all periods of self-employment increase the individual's pension entitlement. From the year 2005, earnings-related pension rights have also accrued for certain unpaid periods. (See section 2.9 "Recent reforms".)

Disability pensions from different schemes

During the last few decades, gainful employment has been common among Finnish men and women. Therefore most disability pensioners are entitled to an earnings-related pension. At the end of 2006, more than 80 per cent of all disability pension recipients received an earnings-related pension. The earnings-related scheme is further divided into public and private sector schemes. The national pension used to be a universal basic pension, but from 1996 it was redefined as a benefit guaranteeing a minimum pension level. The national pension is now benefit-tested: once the statutory earnings-related pension reaches a certain limit, no national pension is paid at all. However, national pension is not asset-tested. Persons who have been disabled since their youth or who for some other reason have never been gainfully employed, are only entitled to the national disability pension. At the end of 2006, nearly 20 per cent of all disability pension recipients received only a national pension, 40 per cent received only an earnings-related pension, and 40 per cent received both national and earnings related pension (Figure 2.5).

Figure 2.5. Disability pension recipients according to pension scheme as percentage of population aged 16 to 64



NOTE: Since 1996 the national pension has been fully pension income-tested (phase out period until 2000). This explains the sharp decrease in recipients of both earnings-related and national pension from 1995 to 2001.

Entitlement to a disability pension

In the national pension scheme, disability pension may be granted to persons aged 16 to 64. However, disability pension is not granted to persons aged 16 to 19 until the possibilities of rehabilitation have been investigated. Permanently blind persons and persons without mobile activity are always considered disabled for work.

In the earnings-related pension scheme, disability pension may be granted to persons aged 18 to 62. At the age of 63 the disability pension is changed to an old age pension. According to the rules that were in force before the pension reform of 2005 (and were applied to all cases where the pension contingency occurred before 2006), the upper age limit was 64, i.e. the same as in the national pension scheme.

The criteria for disability for work are mainly the same in both pension schemes. A disability pension may be granted to a person who has an illness, handicap or injury that reduces his or her work ability and the incapacity for work can be assumed to last for at least a year. Besides medical factors the person's earnings capacity through such available work that he or she can manage reasonably well when considering his or her education, earlier activity, age, place of residence and other comparable factors, is taken into account. In the earnings-related pension legislation for the public sector the eligibility criteria are occupational; it suffices that the employee has become disabled for his or her own job.

Partial, temporary and special disability pensions

The earnings-related disability pension may be paid as a full pension or as a partial pension. A full disability pension is paid if the person's work ability is reduced by at least three-fifths. A partial disability pension is paid if the work ability is reduced by less than three-fifths but at least by two-fifths. The amount of the partial disability pension is half of the full pension. In the national pension scheme there are no partial pensions.

In both pension schemes disability pension can be granted for a specified period or indefinitely. The temporary disability pension (called cash rehabilitation benefit or rehabilitation subsidy) is paid to a person who is disabled for work but whose handicap or illness is expected to improve through treatment or rehabilitation. Thus, granting a temporary disability pension always requires a treatment or rehabilitation plan. A disability pension, either temporary or indefinite, may be discontinued, if the work ability of the beneficiary improves. However, besides the disability assessments for new periods of temporary pensions there is no automatic retesting of the disability status.

From the mid 1980s there has been a special disability pension for older persons. This pension benefit has been called the individual early retirement pension. It was introduced in 1986 under the national pension and the private sector earnings-related schemes, and in 1989 in the public sector. To qualify to this benefit a person has to meet the age criteria, have a long work career, and have a reduced work ability to such an extent that he or she cannot be expected to continue in the present occupation. When granting the pension the role of medical factors is smaller than in the usual disability pension. The age limit was 55 years until 1994. It was then raised to 58 years for persons born after 1939. In 2000, the age limit was further raised to 60 for those born after 1943. The pension reform of 2005 terminated the individual early retirement pension. However, it may still be awarded in the public sector to persons aged less than 63 and born before 1948, on certain conditions. The termination of the individual early retirement pension was compensated by relaxing the eligibility criteria for those aged 60 and over. (See Section 2.9. "Recent reforms".)

The amount of a disability pension

In 2007 the full amount of the national pension is 445.2-524.85 euros per month depending on the municipality category, and family ties. If an earnings-related pension is no more than 48.12 euros per month, it entitles to a full national pension. On the other hand if the earnings-related pension exceeds a certain limit, in 2007 the limit is 915.21-1074.63 euros per month, national pension is not paid at all. The smallest payable national pension amount is 11.58 euros per month.

The amount of the earnings-related pension depends on the total amount of the annual earnings during the work history. In addition, as regards disability pensions, the earnings from the pension contingency to the age of 63 (projected pensionable service) are taken into account. Pension rights accrue at the rate of 1.5 per cent on the earnings for each year in employment from age 18 up to 53. From age 53 up to 63 the rate is 1.9 per cent, and from age 63 to 68 it is 4.5 per cent. On the earnings of the projected pensionable service pension rights accrue at the annual rate of 1.5 per cent for the period before the age of 50, and from the age of 50 to 63 they accrue at the rate of 1.3 per cent. (See Section "Recent reforms" for determining the pension before the reform of 2005.)

The earnings-related disability pension benefit is increased by a lump sum when the pension has continued for five years. The increase is 21 per cent for those who are aged 24 to 26 at the beginning of the year of the increase, and it is reduced by 0.7 percentage points for each year of age. Thus persons who are aged over 55 at the beginning of the year of the increase do not receive a lump-sum increase. This increase is carried out for the first time at the beginning of 2010.

The earnings-related pensions are integrated with benefits from statutory workers' compensation, motor liability and military accident insurance so that the earnings-related pension is only paid out to the extent that it is larger than these benefits. Until 2005 the earnings-related pensions were also integrated with each other, so that they did not exceed 60 per cent of the highest wage of the work-

ing career. From 2005 they are no longer integrated with each other, and therefore for example the pensions accrued at the rate of 4.5 per cent at ages 63 to 68 will not be obliterated.

All disability pension recipients may be entitled to a housing allowance, pensioners' care allowance and pensioners' child increase.

Private-sector earnings-related pensions are mainly financed through contributions levied from the employers (about 4/5) and from the employees (about 1/5). The national pension scheme is financed by the state and employer contributions.

2.4 Statutory accident insurance system

Statutory accident insurance provides coverage for employees and farmers in case of work accidents or occupational disease. Work accident means an accident due to an unexpected, sudden external event which causes injury or illness to an employee while he or she is working, in circumstances related to his/her work or in his/her work place, when going on errands for his/her employer or while protecting or trying to protect property or his/her employer or while saving or trying to save human lives in the course of his/her work. Occupational disease means a disease which is probably primarily due to physical, chemical or biological factors associated with work done during a period of employment. Not only the accidents occurring at the place of work, but also commuting accidents are compensated.

According to the statutory accident insurance, the right to receive compensation for a work accident is based on performance of work for another person, i.e. on an employment relationship or a post. A self-employed person has no obligation to take out an employment accident insurance, but he/she has the possibility of taking out the same cover voluntarily.

The benefits of the statutory accident insurance system are: compensation for medical care, daily allowance, employment accident pension (also survivors' pension), inconvenience allowance, invalid rehabilitation care and funeral benefit. Compensation for accident injuries takes priority over other forms of statutory compensation and pensions. This means that the injured worker is first paid the compensation he/she is entitled to on the basis of statutory accident insurance in full and the benefits of other social insurance is paid if he/she is entitled to them. An employee is entitled to compensation even when the employer fails to take out the insurance.

The amount of the daily allowance is, for the first four weeks, the same as the wage the employer is paying during the time of sickness. After four weeks it is one 360th of the annual earnings of the insured person. Daily allowance is paid for a maximum of one year after the accident or the occupational disease occurred. After one year the indemnity is paid as an employment accident pension. The accident pension for a totally disabled person is 85% of his/her annual earnings (70% after the age of 65). In the event of partial disability, a proportionate amount of full accident pension corresponding to the reduction in working capacity is paid.

According to the Employment Accident Insurance Act, it is the employers who are obliged to pay the insurance premiums. The employees do not pay anything in this social insurance. The calculation basis for insurance premiums must be such that the premiums are in reasonable proportion to the costs arising from the insurance, taking into account the risk of accident and occupational disease involved in the employment concerned. The statutory accident insurance system is operated by private insurance companies. The State Treasury Office is responsible for the accident insurance coverage of government employees.

2.5 Disability allowances

Disability allowances (child disability allowance, disability allowance, pensioners' care allowance), granted by the Social Insurance Institution, improve the quality of life of disabled persons despite the existing disability or illness. The aim is to promote the disabled persons' equal opportunities in life compared to other citizens. Disability allowances are linked together by life span ideology in which the functional ability of a disabled or ill person is taken into account and improved throughout the whole life cycle.

The purpose of disability allowance is to make it easier for disabled persons of working age who are not in receipt of a pension to manage in their daily lives and to cope with work and studies. Persons between 16 and 64 whose functional ability has been reduced on account of an illness or injury for a period of at least 12 months are entitled to the allowance. Eligibility is not dependent on any income or asset tests. The allowance is intended to provide a compensation for the handicap, need of assistance and special expenses caused by the illness or injury and it is graded in three payment categories from 79.83 euro to 361.21 euro per month. Disability allowances are fully financed by the state. Allowances are non-taxable income.

2.6 Income maintenance during rehabilitation

The purpose of rehabilitation is to help to maintain and improve the rehabilitation client's functional status and work capacity. Various organisations offer rehabilitation services, either independently or in partnership with an outside service provider. Clients undergoing rehabilitation measures may also be eligible for income maintenance benefits. Rehabilitation services are offered by a wide variety of organisations, and distinguishing rehabilitation from other activity can be difficult as it in many ways overlaps with health care, social services, education and labour administration. When different services are provided within an integrated framework, it is nearly impossible to separate rehabilitation from other services.

The providers of earnings-related pensions have primary responsibility for the provision of rehabilitation services to persons who are or could potentially be economically active. The Social Insurance Institution (SII) has a statutory responsibility to provide its clients with access to rehabilitation services and to ensure their income security during rehabilitation. However, SII's rehabilitation mandate is secondary to the provision of rehabilitation services under the Acts on Accident Insurance, Motor Insurance, Military Injuries and Military Accidents.

Rehabilitation allowance

Rehabilitation allowances, paid by SII and the earnings-related pension scheme, are the main benefit systems providing income maintenance during rehabilitation. In case accidents and diseases covered by the laws on Industrial Accident Insurance, Motor Insurance, Military Injuries and Military Accidents the income maintenance is covered by these special laws.

The earnings-related pension scheme pays rehabilitation allowance to an insured who is working but who is threatened by incapacity for work due to illness and for whom the pension provider arranges vocational rehabilitation. The amount of the rehabilitation allowance is equal to the full disability pension increased by 33 per cent. Rehabilitation allowance may be granted as partial benefit amounting to half of the full allowance in case the insured person during rehabilitation earns more than half of the stabilized earnings. Discretionary rehabilitation assistance may be granted to the amount of the disability pension for the periods between the rehabilitation periods.

SII provides income maintenance during rehabilitation for the rest of working age population who are not covered by the above-mentioned laws. A cash benefit called rehabilitation allowance is paid for the duration of rehabilitation which requires absence from regular work. The rehabilitation allowance is paid in connection with rehabilitation services arranged by SII, or by the primary health care, social services or occupational health care sector. The following benefits are available: the rehabilitation allowance proper, the means-tested rehabilitation assistance payable during the post-rehabilitation period, and the maintenance allowance (also means-tested). The rehabilitation must also be aimed at helping the rehabilitation client enter, re-enter or remain in employment. Rehabilitation allowance is paid for each weekday in the rehabilitation period, except for a fixed waiting period. If a person is receiving sickness allowance while rehabilitation is initiated and the client begins to draw rehabilitation allowance, payment of the sickness allowance ends.

In the majority of cases, the rate of the rehabilitation allowance provided by SII is determined in the same way as the sickness allowance. Rehabilitation allowance during vocational rehabilitation is equal to 75% of earned income as defined in the Health Insurance Act. This applies to all income categories and differs from the graduated scale approach used in determining the sickness allowance. Rehabilitation allowance is thus at least the amount of sickness allowance and during vocational rehabilitation it is higher than sickness allowance. The maintenance allowance is intended to defray some of the additional cost of participating in rehabilitation and to ensure participation in rehabilitation treatment.

Young people between 16-19 years of age are eligible for a rehabilitation allowance, if their ability to work or their possibility to choose a profession are impeded by their condition so that they need intensified work ability evaluation or rehabilitation. Eligibility for the allowance requires that the young person has had a personal training and rehabilitation plan drawn up for them together with, for instance, their local health centre. The aim of the allowance is to guarantee that a young person receives vocational rehabilitation and support for studying and employment. The rehabilitation allowance for young people aged 16–19 is payable at a fixed rate.

Rehabilitation allowances are financed by contributions paid by employers and employees. The costs of minimum payments of rehabilitation allowances are financed by the state.

2.7 Taxation

Cash benefits paid during sickness, disability and rehabilitation are generally taxable income. Supplements and benefits paid because of additional expenses, a general handicap, need of assistance, services, guidance or supervision are non-taxable.

Taxation of pensions

Recipients of pensions are entitled to pension income allowances in both local and central government taxation. Due to pension income allowances pensioners with lowest incomes do not pay any income tax. Likewise, pensioners in lower income brackets have lower tax rate than other groups in corresponding income brackets.

Invalidity tax allowance and credit

A disabled person is entitled to invalidity tax allowance in municipal (local) taxation and invalidity tax credit in central government taxation.

The full municipal allowance is 440 euros and the allowance is deducted from the earned income. The full invalidity tax credit is 115 euros and it is deducted from the central government income tax (tax on earned income). If the degree of disability is less than 100 per cent the allowance and credit is made according to the degree of disability if it is at least 30 per cent.

The maximum amount of municipal allowance is also restricted by the rule that the allowance may not exceed the amount of other net earned income⁶ (income after natural deductions) than pension income (i.e. pensioner without any other earned income than pension is not entitled to invalidity allowance in municipal income taxation). The last-mentioned restriction is not applied to persons who already received pension in 1982. The allowance is subtracted from earned income.

Recipients of statutory full-time disability pensions are considered to have full 100 per cent degree of disability.

Exemption of self-employed persons from value-added tax

Persons with disabilities who work as self-employed and have at least 70 per cent degree of disability are entitled to exemption from value added tax. The exemption from value-added tax covers mainly disabled entrepreneurs engaged in traditional occupations in handicraft and repair sectors. The exemption only applies to the sale of goods and work performance when the seller is a person whose working and functional capacity is reduced by at least 70 per cent, presupposing, in addition, that the seller himself/herself has manufactured the goods. For instance entrepreneurship in the computer-aided service branches, that is common among young people with disabilities, is not covered. On average 500 - 1000 disabled entrepreneurs benefit to some extent from the exemption from value-added tax.

Refund of automobile tax

According to the law persons with disabilities can be refunded the automobile tax included in the price of a car either wholly or partly. The amount varies according to the quality and seriousness of the impairment.

2.8 Collective agreements and occupational schemes (second pillar)

The Finnish social security system differs from that of many other European countries in the respect that in Finland statutory earnings-related benefits are not subject to an income ceiling. This may have contributed to the fact that the role of second pillar benefits as supplements to the public benefits has been limited. In Finland the second pillar includes mainly two types of benefits: agreement-based sick pay after the statutory employer's period in the beginning of sickness absence and supplementary pensions funded by employers.

The length of sick pay based on labour market agreements varies according to the sector, branch and duration of the work contract. In the public sector, employees are entitled to full pay for the first two months and to 75% of pay for the following few months. Private-sector employers usually provide sick pay for 1–3 months. The median duration in the manufacturing and service sectors is about six weeks.

⁶ Earned income in taxation is defined as non-capital income including wages and salaries, pensions and daily allowances.

Supplementary pensions are a rather insignificant part of the total disability pension provision. C. 10 percent of all disability pensioners are covered by pensions funded by employers.

2.9 Recent reforms

Pension reform of 2005

The most important reform during the history of the earnings-related pension scheme came into effect in 2005. The long-term goal of the reform is to postpone the retirement age by two to three years, to adapt the pension system to the anticipated increase in lifetime, and to curb the rise in contributions caused by changes in the population age structure. After the reform the employee has to be insured between ages 18 and 68, and the pension is calculated based on the earnings for each year, starting in 2005. The pension rights for employment contracts which continued over the turn of the year 2004/2005 were calculated according to the old legislation to the end of 2004, and the new accrual rates took effect from the beginning of 2005. The new rules also extend the scope of the pension accrual based on unsalaried periods. Besides the changes that were made to the accrual rules concerning, for example, sickness, unemployment and parents' allowances, and job alteration leave, new unsalaried periods were included. A pension will accrue from caring a child under 3 and studies for 3-5 years.

The retirement age is flexible between ages 63 and 68. Since 2005 old-age pensions have been calculated in the new way. This means that the pension can be taken without any reductions from the age of 63, pension integration was abolished completely in the private sector, the accrual rate was 4.5 per cent for earnings after the age of 63 and 1.9 per cent between ages 53 and 63. Accrued pension rights and pensionable wages were adjusted with the new wage coefficient, where the real-term change in earnings is taken into account to 80 per cent. Increment for deferred retirement can be paid from the age of 68 (0.4% per month) and reduction for early retirement can be made at the earliest from the age of 62 (0.6% per month). In addition, the life expectancy coefficient will be taken into use from 2009.

The unemployment pension is abolished for persons born after 1949. It is replaced by continued days of daily allowance in the unemployment security scheme. The age limit for the part-time pension increased from 56 years to 58 years.

The changes in disability pension included the abolishment of the individual early retirement pension for persons born after 1943. To a certain extent, the rules of the individual early retirement pension were included in the rules on disability pension for those aged 60 and over. The criteria applied to applications for persons over 60 are more lenient especially as regards the occupational nature of work ability. After reaching the age of 63, a disability pension is changed to an old-age pension. Other changes in disability pensions concerned projected pension and indexing. The calculation of the pension for projected pensionable service was changed in its entirety, so that from the age of 50 the accrual rate is 1.3 per cent to the termination age 63 years for the projected pensionable service, and the earnings for projected pensionable service are calculated after the transition period on the basis of the earnings for the five years which precede the pension contingency. As regards indexing, before 2005 two age-linked indices were used. The pension reform removed this age-linking. Thus, after the reform, also the disability pensions in current payment are adjusted with a pension index weighted by consumer price index 80 per cent and earnings level index 20 per cent. In the former law the weighting was 50/50. To compensate this, disability pensions for

younger persons are increased with an age-dependent lump-sum increase when the pension has continued for five years.

Partial sickness allowance

From the year 2007 onwards it has been possible to pay partial sickness allowance to employees or self-employed people who have been on sick leave for at least 60 days and who return to work part-time. The purpose of the amendment is to facilitate return to work after a sickness leave. (See more in section 2.2.)

National pensions and disability allowances

The reform of the legislation on national pension takes effect from the beginning of 2008. The main aim of this reform has been to modernise and clarify legislation, but at the same time the cost-of-living classification of the municipalities will be abolished. This means that in future the level of minimum income security provided by the national pension will be uniform in the whole of Finland. In the beginning of 2008 also an overall increase of 20 euros per month is made to the national pension. An overall increase of 15 euros per month was made to the highest disability allowances already in 2007.

From the beginning of 2007 a recipient of national disability pension can also accrue new pension rights by working concurrently with pension reciprocity.

Experience-rating of disability pension contributions

Employers' disability pension contributions are experience-rated. Until 2006 experience-rating was based on the number of employees in the company. Since 1 January 2006 the experience-rating part of the disability pension funding has been based on contribution categories.

If the amount of insured earnings exceeds 1.542 million euros, the employer's disability pension contribution is determined partly according to the basic contribution and partly according to the category contribution. As the amount of earnings increases the share of this category contribution in the disability pension contribution increases linearly and when the earnings exceed 24.672 million euros the employer's disability pension contribution is determined fully according to the category contribution.

In order to determine the category contribution the employers are divided into contribution categories on the basis of their own disability pension cases. There are a total of 11 contribution categories determined for different disability risks, and in each category the level of the disability pension contribution is different. The basis for determining the contribution category is the risk ratio calculated for the employer, which means the ratio of the expenditure for new awarded disability pensions to the average disability pension expenditure according to the average risk level under TyEL (The Employees Pensions Act), taking into account the age distribution of the employer's insured employees. The employer's risk ratio is calculated on the basis of the disability pension cases for two consecutive years. (See Chapter 4 in Hietaniemi and Ritola 2007.)

2.10 Relationship between various programmes

Disability as a process: From onset of illness into permanent disability

Table 2.2 summarises the standard pathway from work into disability pension. The main steps of this pathway are prescribed in respect to the income security benefits and to the assessment process of disability condition. The table provides a look at the main check-points and transfers from one system to another during the process in the light of statistics.

Table 2.2. Disability process from onset of illness into permanent disability

<i>Time scale</i>	<i>Income security</i>	<i>Assessment process</i>
1 + 9 working days	Statutory full pay (NHI waiting period)	Certificate from doctor needed from first/ third day
11 th working day during 30 – 90 calendar days 60. working day	Sickness allowance spell begins (<u>36100 spells begun per year</u>) Agreement-based sickness pay 1 – 3 months depending on branch and length of work contract. During that time payment of sickness allowance to the employer	Assessment of need for rehabilitation latest after 60 working days (by SII)
After two months of sick leave (60 calendar days)	Partial sickness allowance available for 12- 72 days (<u>about 3000 persons</u> receiving the benefit in the year 2007)	
Reaching of 150 compensation days	- Consultation with the insured person on the possibilities of rehabilitation / applying for a disability pension. - Electrical information from SII to Finnish Centre for Pensions on the possible pension/rehabilitation application <u>-33000 announcements per year from SII to pension institutions</u>	need for rehabilitation is taken under consideration
First day of the month during which the maximum of “300 days” would be reached	- End of sickness allowance payment <u>about 28000 cases per year</u> - Application for disability pension is recommended to be delivered in good time before the maximum is reached c. <u>30,000 new applicants incl. those not receiving sickness allowance</u>	
	- rejection of the disability pension claim <u>rejection rate of new applications c. 20 %</u> - new eligibility to sickness allowance cannot be reached for the <i>same illness</i> until the person has been capable for work at least 12 months	Assessment of need for rehabilitation (unlikely at this stage) Continues next page ->

	<p>=> <i>partial disability pension</i>, from employment pension system only, without or with preceding sickness allowance period (<u>c. 1000 new grants per year</u>)</p> <p>=> <i>full disability pension (26000)</i></p> <p>- as "<i>rehabilitation subsidy</i>" for a specified period (a treatment or rehabilitation plan has to be drawn)</p> <p><u>c.50 % of new disability pensions</u> of which c. 80 continues as indefinitely granted pension</p> <p>- <i>indefinitely granted disability pension</i></p>	
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Preceding labour market situation of sickness allowance recipients

In the middle of the present decennium the number of new sickness spells per year amounted to c. 360,000 spells. A sickness allowance spell is defined as a benefit period starting either with waiting period (1+ 9 work days) or with a transfer from another benefit system, mainly from unemployment benefits. Concerning the disability for work process one must take into account that a maximum of 300 compensation days may consist of several spells granted on the grounds of the same disease (incl. related diseases) during about two years. Taking the last spell of persons with several spells as a ground of statistics, the total number of sickness allowance recipients in 2006 was 349,000 persons, of whom 85 per cent received benefit on the basis of earned income and 10 percent on the basis of the preceding unemployment benefit. In terms of disability process it is noteworthy that less than one percent of sickness allowance spells had been preceded by rehabilitation allowance. (Table 2.3).

Table 2.3 Recipients of sickness allowance according to the preceding labour market/social security status in 2006 ⁽¹⁾

	Number of beneficiaries	%
Total	348848	100
Benefit based on the preceding earnings	296310	84.9
Benefit based on:		
preceding rehabilitation allowance	3221	0.9
preceding unemployment allowance	35309	10.1
preceding study grant	1128	0.3
<u>Minimum daily allowance</u>	<u>16403</u>	<u>4.7</u>

¹⁾ Persons who have received sickness allowance at least one day during the year

Labour market status and recent benefit history of new disability pension recipients

Table 2.4 presents different pathways to disability pension looking backwards from the point of time from which a person became entitled to the benefit. (Pension may be granted before or after this point of time.) According to the joint research database of the Social Insurance Institution and the Finnish Centre for Pensions 91 per cent of all new pension recipients had some kind of work history preceding the pension, whereas 9 per cent had no records on work contracts, self employment or entrepreneurship in the registers of the earnings-related pension scheme. A distinguished feature of the inflow into disability pension was that a great deal of new pension recipients had been unemployed for longer times during the last 5 years before retiring on the disability pension. More than one third of all new cases had experienced unemployment during the last 5 years, and more than every tenth had been unemployed for more than three years. Based on studies concerning social assistance take-up rates amongst long-term unemployed persons it can be estimated that at least one third of all persons moving from long-term unemployment onto disability pension had received social assistance for a longer period preceding the pension.

Table 2.4 New recipients of the disability pension in 2004 by previous work career and unemployment history during 5 preceding years

Pathway	Total	No previous work career	With work career, total	No unemployment	Unemployment 1 - 36 months	Unemployment 37-60 months
Total	27304	2418	24886	14908	6533	3445
% total	100.0	8.9	91.1	54.6	23.9	12.6
% of each group						
Direct transition from daily allowance	69.9	49.5	71.9	66.9	82.1	74.1
Other pathway (e.g. unemployment)	30.1	50.5	28.1	33.1	17.9	25.9

One important question with respect of different pathways to disability pension is, of course, the share of people moving to a disability pension directly from sickness daily allowance after having exhausted the maximum of 300 compensation days. According to table 2.4 this share is 70 percent concerning all new pension recipients. This share of persons moving to disability pension directly through a sickness allowance pathway varies significantly in the various groups under consideration. To some extent surprisingly, the sickness allowance pathway has been used more often by those having experienced unemployment during the 5 last years compared to persons without any unemployment experience. The main reason for this may be that this special group includes partially disabled persons who in most cases move to the benefit directly from full time employment.

The role of time-limited disability pension (rehabilitation subsidy/cash rehabilitation benefit)

The legislation concerning temporary disability pensions was amended in Finland in 1996. Since then the time-limited pension benefit has been changed so as to be more rehabilitation-oriented. To receive the benefit, a treatment or rehabilitation plan must have been drawn up for the appli-

cant. In case of an earnings-related pension, temporary pension may be granted as partial benefit in a corresponding way as a pension granted indefinitely. The amount of the pension is the same in both pension types.

At the moment about one half of all new disability pensions are granted for a fixed period. Since the middle of the 1990s this share has grown nearly by 10 percentage points. Despite the increasing tendency to grant temporary pension benefits the probability of temporary benefits to end up with recovery of work capacity has remained on about the same level. Approximately 20 per cent of all temporary pension grants have ended up to recovery, of which about 5 percentage points are due to rejection of the applications concerning continuation of the time-limited pension. The recovery rate of the recipients of temporary disability pensions is low and the return-to-work rate is even lower. Of those 20 per cent who have recovered after the temporary disability pension less than one half are back in employment.

Transfers from long-term unemployment to disability pension

A peculiar feature of the latest developments in Finland concerning disability pension applications has been special “screenings” organised by labour market and municipal authorities aiming at assessment of the health condition and work ability of long-term unemployed in order to help them to move from long-term unemployment to health-related benefit systems in case of disabilities causing incapacity for work. During the years 2002 – 2006 a total of 8000 persons have moved from long-term unemployment onto disability pension through a special project organized by the public employment authorities. In addition, many municipalities have been screening social assistance clients in terms of their potential disability for work. Obviously, one incentive for municipalities to organize these projects has been the economic advantage received by moving the customers from social assistance to the pension system.

The ”screening projects” initiated by public authorities may explain a great deal of recent trends in disability pension applications and rejection rates described above. E.g. in the beginning of this decennium long-term unemployed persons were over-represented amongst applicants of disability pensions as well as rejected pension applications. The significant fall in the number of applications in 2006 seems to indicate that this reservoir of potential disability pension recipients is now slowly becoming exhausted.

2.11 Income security and labour market participation of people with disabilities

As a starting point for discussion about barriers to labour market participation of people with disabilities one must take into account the context where the Finnish income security system has been developed during the last few decades. In a time of rapid structural change and very favourable population age structure full-time employment has been the norm, and as a complement to this social security benefits have offered full-time benefits for those who, for one reason or another, are temporarily or permanently outside paid employment. At the moment, full-time transition from work to benefit recipiency and vice versa is still the prevailing pattern, even if there have been some legislative changes which have broadened the range of part-time benefit options. (Hytti 2004, 2006b.)

Combining work and benefits

In principle, the Finnish disability benefits offer two different ways to combine paid work and cash benefit. Firstly, the earnings-related pension scheme offers partial pensions in case work capacity

is reduced by more than $2/5$ and less than $3/5$. Secondly, both the earnings-related pension and the national pension scheme allow for a certain “free amount” of income from work in addition to pension income without any suspension of the pension payment or reduction of the pension amount. In the national pensions an amount of 586.66 euros of earned income in addition to pension is allowed. In the earnings-related pension scheme the recipient of partial disability pension is allowed to earn up to $3/5$ of pension-based earnings and the recipient of full disability pension up to $2/5$.

At the end of the year 2006 about 15,000 persons were receiving partial benefit from the earnings-related pensions scheme, which makes 8 per cent of the total number of disability pensioners in Finland. About 60 per cent of partial disability pension recipients were employed.

Since the pension reform in 2005 even a recipient of disability pension can accrue new pension rights by working concurrently with pension reciprocity. However, despite this opportunity and the rather generous rules concerning “free amount”, the participation rates of disability pension recipients in paid work has remained at a very low level. At the end of 2006 only 3 per cent of the recipients of full-rate national pension and only a few per cent of the earnings-related pension recipients were employed. This is in sharp contrast with a recent study where the estimated number of disability pensioners willing to work at least to some extent was estimated to be 30,000 persons (Holm & Hopponen 2007).

Financial incentives to put a disability pension “on hold”

Persons who receive full-rate national pension, i.e. recipients who have no earlier work history or whose career has been negligible, are entitled to put disability pension “on hold”. The pension can be suspended for a period of up to five years, out of which the two first years a person is automatically entitled to a highest category disability allowance as a supplement to the earned income. At the end of year 2006, less than 100 persons were using this opportunity and c. 50 of them were receiving a special disability allowance.

Respectively, an earnings-related pension can be put on hold for two years, but there is no automatic entitlement to the highest category disability allowance.⁷ “Work trials” are regulated through the above-mentioned “free amount” of earnings a recipient of disability pension is allowed to earn without losing her/his entitlement to the pension benefit. All previous pension rights are guaranteed in case a person decides to re-enter the pension scheme within two years. At the end of 2006 there were only about 1000 persons having their earnings-related pension suspended.

Employer’s incentives and disincentives to hire disabled workers

The Finnish employer’s may have in principle three different kinds of direct costs from liabilities related to short- or long-term work absence due to disability: statutory employer period in the beginning of sickness absence, sick pay after the initiating period to the extent agreement based pay is greater than sickness allowance and big employers liabilities due to experience rating in earnings-related pension system. All these financial responsibilities may have some influence in cases an employer is considering new recruit or continuation of work relationship of a person with high risk of disability.

Finland applies employer-specific experience rating in earnings-related pension scheme. Experience rating is applied both in disability pensions and unemployment pensions/ benefits of older

⁷ Of course person fulfilling the “normal” conditions of disability allowance will receive it.

workers of big firms (see above section 2.9 “Recent reforms”). Arguments have been presented both in favour and against the employment incentive effect of this practice. Experience rating may make it more difficult for workers at a great risk for disability to find employment. On the other hand it has been argued that experience rating can act as a motivating factor for employers to invest in the maintenance of health and work capacity and in the rehabilitation of their work force.

3 Employment support programmes

3.1 Public employment services, labour market measures and subsidies

The labour authorities prefer to integrate disabled persons into mainstream training and employment programmes offered by all employment offices around the country. Services for disabled customers are handled in employment offices mainly according to so-called normality principles. In serving customers with disabilities, every effort is made to utilise first and foremost the employment services intended for all citizens: job placement services, vocational guidance and career planning, labour market training and vocational information, and employment training. All vocational guidance psychologists (about 270) working at 120 employment offices and employment counsellors (over 2 800) also serve customers with disabilities. In addition there are over 120 rehabilitation advisors in employment services for disabled jobseekers at the employment offices.

A disabled person is a worker referred by an employment office whose potential for gaining employment, job retention or career advancement have diminished significantly due to an appropriately diagnosed injury, illness or other disability. A worker subject to subsidized employment measures under the Social Welfare Act is considered equivalent to a disabled person.

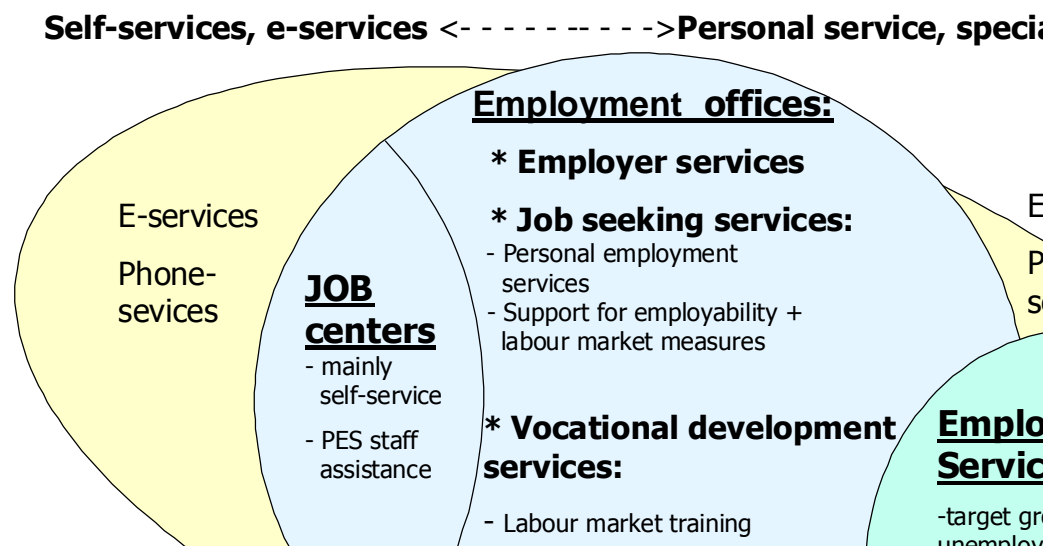
A long-term unemployed person is a worker referred by an employment office who has been an unemployed jobseeker for at least 12 months consecutively or combined several periods of unemployment within 16 months.

A person difficult to employ is an unemployed jobseeker who is eligible for labour market subsidies but no longer eligible for unemployment allowance, or who has received labour market subsidy because of unemployment for at least 500 days.

3.2 Structural reform of the public employment services (PES)

In the restructuring of the public labour force services that is now drawing into its final stage, the main goal is to safeguard the availability of labour force and to decrease structural unemployment. Through separate projects, the Labour Force Service Centres and new operating service models of the Employment Office, such as early intervention and job-seeking centres, will be developed. As the normal services of the Employment Office are not adequate to combat wide-spread structural unemployment even in their intensified form, the Labour Force Service Centre network aims at responding to these needs (Figure 3.1.).

Figure 3.1. The structure of the public employment services



Employment Office

The service model of the employment office is being developed in order to ensure the quick and high-quality matching of labour supply and demand. The reform emphasizes the importance of jobseekers' finding work fast on the open labour market and of ensuring the availability of labour. There is a particular emphasis on early intervention by the PES in unemployment spells and reinforcing jobseekers' own initiative by creating jobsearch centres, where electronic online services are available and which also provide a meeting place for jobseekers and employers. The early intervention and job search activation aim at shortening the unemployment spells and reducing the inflow into long-term unemployment as much as possible. The introduction of the new service model for the jobseekers started as a pilot project in 2005 at the employment offices of 16 big labour market regions. By the end of the year 2006 there were 45 job search centres established and the new service model for jobseekers was in use across the country. The new service model for employers was at that time still under preparation.

In order to combat structural unemployment and to improve the employment rate, a restructuring of the public employment services was carried out in 2004 - 2006, during which services for workers who are difficult to employ were differentiated by bringing the services and resources together in the Labour Force Service Centres.

The reform as a whole focuses on the following operating areas of the employment offices:

- increased effectiveness in the service process for individual clients
- development of employer services and reinforcing the role of the employment office at the local level
- increased use of the employment office's electronic online services and inclusion of these services in the service process and
- developing a service model for self-motivated jobsearching (so-called 'jobsearch centres').

3.2.1 Labour Force Service Centres

The Labour Force Service Centres are one-stop service units based on multi-professional co-operation between regional and local authorities (the Employment Office, the municipality and the Social Insurance Institution), in which the customers are offered support in controlling their lives and searching for jobs as well as versatile rehabilitation and activation measures.

Since the 1990's, services jointly provided by the Labour Administration and municipalities have been tested in several projects with EU and national funding. A larger experiment of joint services for the hard-to-place was implemented in 2002-2003. In this experiment were involved the Labour Administration, the municipalities (mainly the social services) and the Social Insurance Institution. A total of 18 joint service points took part. In this experiment, the services required by the customer provided by various authorities were offered at a one-stop office. The objective was to support the finding of employment by unemployed persons who had been receiving unemployment compensation for an extended period, to activate them, and to improve their employability. An additional goal was to establish permanent operating models for the co-operation between various authorities. The positive results of this experiment influenced the setting up of the Labour Force Service Centres network. Setting up and developing this network were adopted as part of the Government Programme for the term 2003-2007 and the associated inter-administrative employment programme.

According to the Government Programme for the term 2003-2007, a central objective was to combat structural employment and ensure the availability of all labour force reserves in the future labour market situation, in which the age classes entering the labour market will not be large enough to replace the groups leaving it. The Government Programme set as the goal of its financial and employment policy to increase employment by at least 100,000 people by the end of the parliamentary term. This goal was achieved in the year 2007.

- a gathering and intensive development of the current partnerships and networks
- expansion and development of joint services for the unemployed
- normalising the provision of services for these target groups.

The Labour Force Service Centres are based on multi-professional co-operation between the Labour Administration, the municipality and the Social Insurance Institution, in which the customers are offered support in controlling their lives and job-seeking as well as many types of rehabilitating and activating measures. The Labour Force Services Centres are not independent offices but permanent networking organisations based on a co-operation agreement, in which the services of

three different authorities are offered in the same premises. As far as public labour force services are concerned, the service centres are part of the service range of the Employment Offices, and as regards the municipality, they usually are part of the municipality's social services. The Employment Office directs the implementation of public labour force services, the municipality that of social services. At the local level, the matters are co-ordinated in the management and/or steering group of the Labour Force Service Centre.

The national objectives of the Labour Force Service Centre activities include: 1) reducing structural employment; 2) reducing expenditure on social support paid out based on unemployment and maintenance support; 3) increasing the rate of activation and the active share of labour market support; and 4) improving the customers' ability to work and act as well as promoting active living and social inclusion. This operating model is based on national policies and local needs and conditions. In many areas, the activities are linked to local employment strategies.

Setting up Labour Force Services Centres at the regional and local level is based on voluntary commitments by the parties and an agreement concerning the operating model. The municipalities and the Labour Administration share the costs arising from the operation of the Labour Force Service Centres. In the State Budget, 16 million euro for the year 2006 had been earmarked for the Labour Administration for the administrative costs of the Labour Force Service Centres. The Social Insurance Institution will pay its own costs

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At the national level, too, normalising the activities and building up a service crossing the administrative sectors require close-knit co-operation between the Ministry of Labour, the Association of Finnish Local and Regional Authorities, the Ministry of Social Affairs and Health and the Social Insurance Institution. The activities are directed by a national steering group.

Based on the outcomes of the experimental phase of 18 joint service points the establishment of the Labour Force Service Centre network started in 2004. The number has increased annually, and in 2006 at the completion of the network, a total of 39 Labour Force Service Centres was in operation. Service Centres can be found in the areas of 52 Employment Offices; in other words, 51% of Employment Offices are involved in the activities. A total of 159 municipalities are taking part. There are some 600 full-time officers working in the Service Centres, of whom the share of the Labour Administration is some 320. The Labour Force Service Centres are located in different parts of Finland.

The customers will mainly be directed to the Service Centres from the Employment Offices and the municipal social services based on an evaluation of their need for services. The customers will be directed to the Services Centre from the Employment Office, in case their finding of employment cannot be promoted by means of labour administration expertise and services alone, and establishing their ability to work and prerequisites for entering the labour market require not only labour force services but also social and health services in particular.

What is typical of the Labour Force Service Centres is the combination of services provided by various administrative sectors as packages, and support solutions whose period of validity is longer than average. The service packages can be put together starting with an analysis of the customer's state of health, medical rehabilitation, vocational rehabilitation and the activation measures of the social services. After this, the customers can either be offered active labour political measures, such as working life coaching or subsidised employment, or they can be directed to training.

In the largest Labour Force Service Centres, multi-professional services are based on versatile expertise. Expert services in the Services Centres are offered by such as nurses, doctors, rehabilitation psychologists, social workers, senior social workers, debt advisors, social workers specialising in working with substance abusers or young people, specialists in rehabilitating work activities, training advisers, vocational guidance psychologists, career planners, individual coaches, employment advisers and employment consultants. The smaller offices only offer labour administration and social sector services, and the customers will be directed to the primary services as necessary.

Two evaluation studies will be completed in the near future concerning the effectiveness of the Labour Force Service Centres' activities and processes and working grid in the Labour Force Service Centres. It seems that it is very difficult to find solutions for the clients even if the services are of good quality and the service processes are prolonged. According to customer satisfaction surveys, the joint service was positively received by the customers. They felt that they were being listened to and that interest was shown in their affairs, enough time was reserved to discuss the matter and the employees provided clear information and instructions.

In 2006, the customers of the Labour Force Service Centres included a total of 24,500 unemployed job-seekers, while the average monthly number of unemployed was some 12,000. The activation rate of the labour market support varies from one Service Centre to another: in 2006, for example, the activation rate of the labour market support was 40% in places, whereas the average activation rate was approx. 27%. The customers of the Service Centres have mainly found positions in subsidised work (such as organisations), working life coaching, work experience associated with vocational rehabilitation and coaching labour force training.

There are developmental challenges associated with the activities of the Labour Force Service Centres embedded in the organisation of cross-sectorial activities and the large number of customers as well as building 'paths' for the employment of the customers. The work of the Labour Force Service Centres is based on the actors perceiving a common interest and shared goals. One area of development is the special issues associated with the management of inter-administrative activities. The activities also require the involvement of partners of different types and the development of purchasing services. A key issue is the demand for labour, and this is why co-operation with the industries cannot be disregarded.

3.3 Public employment services and active labour market measures

The Act on Public Employment Service came in force on 1 January 2003. The state (via the labour administration) organises and develops the public employment service (PES), part of which involves the implementation of vocational rehabilitation for people with disabilities.

A productive service for individual customers means that they must know the employment office's services and obtain services that will best promote their placement onto the open labour market. An appropriate and productive service for individual customers also safeguards the availability of a capable workforce for employers (Public Employment Services Act, chapter 3, section 2)

Assessing a service need is based on interaction between the employment official and the customer and on their joint conclusions (Public Employment Services Act, chapter 3, section 2). The assessment is created in the form a summation of information compiled at the job-seeking interview, a listing of skills, the customer's wishes and possible feedback from cooperation parties. The official and customer assess the overall picture that has been created of the customer's situation in relation to the labour market's skill requirements, the demand for labour and the services at the employment office.

Once the customer and official assess what service will promote the customer's employment, the official must also take into account in the assessment the customer's life situation and job-seeking skills, strengths, health, motivation, possibilities and readiness to make changes and factors that may restrict their possibilities and targets.

The PES has also introduced the profiling model for assessment of the intensified service needs of the unemployed at an early stage of job seeking. The Labour Institute of Economic Research developed the profiling model using the experiences of employment services in different countries as well as data collected on unemployed jobseekers in the information system of the employment offices in Finland. The purpose of the profiling of the unemployed job-seekers is to identify at the beginning of a period of unemployment those at-risk of long-term joblessness for early intervention and assistance. The profiling is a supportive screening tool for the employment counsellors when deciding which of the unemployed need intensive assistance in their job seeking. The pilot experiment of profiling was launched in December 2006, and the method was gradually brought into use across the country in 2007.

For more information see <http://www.mol.fi/mol/en/index.jsp>

3.3.1 Services on the Internet

www.mol.fi/tiepa

Internet-site of the educational and vocational information service: information on training possibilities, applying for training, financing studies, occupational sectors as well as occupations, interviews of professionals and links to working life. Descriptions of videos and brochures presenting occupational sectors and occupations.

www.mol.fi/avo (in Finnish and Swedish)

Vocational guidance programme AVO: information about nearly 300 occupations and education leading to different occupations. You can evaluate your own interests and skills, reflect on your hopes for your future career and examine how well different jobs correspond to your expectations.

www.mol.fi/aura (in Finnish)

A career planning service for adults: information about work, occupations and training. You can reflect on your own situation and alternatives and do exercises that help you in planning your career.

<http://www.ammattinetti.fi> (in Finnish)

Ammattinetti is an online service intended for the comparison of different professions and fields. The website includes descriptions of professions and professional fields, interviews with professionals in different fields, and a variety of career stories about placement in working life. The career stories section also includes descriptions by disabled people. This information has been gathered and revised in order to provide support for professional planning and career selection

www.nakoaloja.info (in Finnish)

A service aimed at working adults who are facing different changes in their careers.

On line employment services on the mol.fi -website

- Open vacancies and sending own job seeker to PES
- Labour market training incl. applying for training to PES
- Jobseeking guide
- CV-net (the jobseekers introduce themselves) and CV-watch service to employer's email
- Educational and vocational information service
- Brochures on PES services
- Links to other significant actors on the labour market and information sites

The labour administration has been actively developing its online services. Employers can report job vacancies to the employment office over the Internet. If an employer agrees on on-line customer ship with an employment office, it receives a user ID and can report a job vacancy directly into the employment office's database. During the year 2006 employers reported about 180 000 jobs via the Internet, which was 40 % of all job vacancies notified to the employment offices.

Jobseekers can receive by ordering and without charge notifications of the specified vacancies directly to their e-mail for a given period. During the year 2006 via this Job-watch service a very large number of the job vacancy listings were e-mailed to jobseekers. A person can also register with an employment office as a jobseeker over the Internet. In the system of strong verification initiating a job-search does not require a visit to the employment office, but those applying for unemployment security do have to go there. This on-line service was implemented in January 2006.

A Curriculum Vitae (CV) Net service for jobseekers was launched in the spring of 2005. All jobseekers can post their CV on the CV Net, which operates on strong verification. At the end of the year 2006 there were about 18 000 service users. Also the CV-watch service for employers was introduced in the summer 2006.

The labour administration has a contact and phone service centre called Työlinja (Job Line). Its hub is situated in the city of Mikkeli and the centre is decentralized into eight employment offices. Job Line provides the customers with information about vacancies, labour market training and advice on job-seeking, as well as with instructions in the use of electronic services. The job seeker

customers may also call the service number in order to inform about starting work or education, starting one's military service, or about medical leave. The employers have a service number of their own to which they may report their vacancies. Job Line gives instructions for applying for a work permit, as well. Job Line also works as a help desk for electronic services for the administration, as well as for the customers. It counted 131,400 calls during the year 2004.

The nationwide telephone service Training Line under the employment office services: It has been possible to ask the Educational and Vocational Information Service of every employment office for information and to get training and education advice by phone. As of April 2005, a new nationwide telephone number, the "Training Line", will be tried out by uniting the training counselors of 20 employment offices into a voluntary answering circle. The new telephone technique makes it possible to increase the efficiency and coordination of the telephone service, and to enhance the availability of the service. The customers themselves pay the phone calls. The telephone service is coordinated at the contact centre of the present Job Line of the labour administration. A decision on continued measures will be made on the basis of experiences provided by the experiment.

3.3.2 Job-seeking services

Individual job-seeking services may be needed for example

- by those coming onto the labour market for the first time
- by people whose job-seeking skills are inadequate
- by people whose work experience is restricted in terms of time and field
- by people who have been absent from the labour market for a long time
- by people in whose commuting area there are no jobs equivalent to their skills.

It is especially important to assess the need for job-seeking services for customers who have been absent from the labour market for a long time and/or who possess skills that are one-dimensional or narrow. Customers may need job-seeking services when there are no vacancies corresponding to their occupation in their commuting area, when they have had problems with job-seeking on their own initiative or they do not believe their job-seeking will produce results. It is always possible for a customer to use the job-seeking services.

3.3.2.1 Planning and advising on job-seeking

Planning job-seeking and the advice associated with it may be needed by people whose own job-seeking plans have not been clarified. Those who are coming onto the labour market for the first time, people with limited work experience in terms of time and field, those finding their way on to the labour market from labour market training, subsidized employment or coaching for working life often need personal support in planning job-seeking. Planning job-seeking includes the active providing of work, a presentation of options that improve labour market capabilities, an expert's assessment of the degree of realism of the customer's plans and an assessment of employment possibilities in association with the customer.

The act on public employment services states that an individual job seeking plan must be drawn up with the unemployed jobseeker at the latest when the unemployment has continued for five months, and the jobseeker is obligated to carry out the plan or he/she may risk losing his/her unemployment benefit. The aim of the new service model for job seekers is that the individual job-seeking plan will be drawn up as soon as possible. During the year 2006 employment offices drew up with jobseekers altogether 382 600 various types of job-seeking plans.

From the beginning of 2005, the social guarantee for the young provides that an individual job seeking plan including an assessment of the service needs must be drawn up with a young person under 25 years of age registered as an unemployed jobseeker at the latest three months from the beginning of the job seeking. The young person is provided job offer, job-seeking training, coaching or vocational labour training, work try-outs, practical training, coaching for working life, a start-up subsidy, or subsidised work.

3.3.2.2 Job-seeking training

Job-seeking training is needed by people whose job-seeking skills are inadequate or whose earlier job-seeking has not produced results, even though their occupational skills are thought to correspond to the needs of the labour market. People who have been absent from the labour market for a long time may need job-seeking training in order to obtain information about the labour market, employers' recruitment requirements and effective ways of job-seeking.

3.3.2.3 Skills mapping

Mapping out a jobseeker's occupational skills is broader than the skills mapping that is done in connection with the job-seeking interview, and a person's skills and special occupational expertise in certain occupations are mapped out at the same time. Mapping out occupational skills may use questions that measure practical occupational skills, tests and competence-based examinations by means of which more precise information is obtained about the customer's occupational skills than in the employment office's skills mapping. In many instances it is done for a particular group of jobseekers and is outsourced.

3.3.3 Educational and vocational information service

Educational advisors of the Educational and Vocational Information Services offered by Employment Offices guide and advise customers in questions relevant to applying for places in education, training and the working life. They are familiar with the various training alternatives and help customers decide which would be the most suitable ones for them. In 2006, the educational advisors were contacted by customers some 266,000 times, either in terms of face-to-face meetings, by telephone or by sending in their questions by e-mail. The educational advice sessions varied in their duration and contents from short informative ones to longer interviews for imparting more in-depth guidance.

Educational advisors organise informative group events, the themes of which include such as training possibilities for young people or adults. The aim of guided group services is to improve the participants' capacities to educate themselves and improve their vocational skills at the level of information and attitudes. In 2006, there were 51,000 participants in 3,200 group events organised by educational advisors.

3.3.4 Vocational guidance and career planning

The Labour Administration's vocational guidance and career planning services help the customers in solving questions relevant to their choice of profession, professional development and finding jobs in various stages of their lives - when the customer is planning continued or complementary education, thinking about changing careers or comes face to face with issues associated with unemployment, state of health and coping at work.

The average age of customers seen by career guidance psychologists has gone up in the 2000's. The number of customers aged less than 20 - young people with no vocational skills, comprehensive school pupils and students in general upper secondary schools - is lower than before, whereas one out of three customers are aged 40 or over. Of the adult customers, one out of five are at work, but nearly one out of two are jobless. 35% of the customers have completed basic education, nearly one half secondary level education and 16% have at least a lower third-level qualification. In 2006 the share of disabled customers was 18% (5 724 individuals) and that of immigrants less than 2%.

Solutions are mainly sought in conversation between the customer and the psychologists, aiming to clarify the customer's life situation, educational background and work experience as well as wishes and capacities associated with work and professions. The goal of the service is to help the customer draw up a plan that is suitable for his or her life situation. The task of the psychologist is to support the customer in finding career solutions that combine individual interests, skills and motivation together with the possibilities in education and labour market. As necessary, various other steps are used to support the discussions, such as suitability evaluations, work or training try-outs or medical examinations.

3.3.5 Labour market training

Funded by the labour administration, labour market training is provided free of charge to the participants. Training is designed primarily for unemployed jobseekers over the age of 20 and those who are under the threat of becoming unemployed. On certain conditions also employed persons and those not included in the labour force can also participate in such training. The objective of labour market training is to improve the participants' chances of finding work. The labour administration purchases training from adult education centres, other vocational training institutes, universities and other suppliers of education and training services.

Labour market training is in the first place vocational, but jobseekers can also take part in preparatory training for working life. Objective of vocational labour market training is to improve participants' chances of finding work and staying on in the working life. Labour market training also promotes the employment of the long-term unemployed, ageing and disabled because it can constitute a part of the individually tailored pathways to work being associated with such measures as rehabilitation or subsidised employment.

The primary goal of preparatory labour force training is not immediate employment, but it is used to guide jobseekers to select suitable vocational training alternatives, improve the employment capacities of such groups as the long-term unemployed, ageing, immigrants and disabled and to prevent exclusion. Preparatory labour market training provides vocational orientation training, integration training for immigrants, training in basic computer skills and language training. During 2006 a total of 53% of those having started in labour market training took part in vocational and 47% in non-vocational training preparing them for working life.

Vocational labour market training mostly concerns continued or further training for vocational qualifications previously acquired either by study or at work. A majority of the training leads to a vocational qualification or partial qualification based on a demonstration examination or curriculum, in which skills learnt earlier are taken in consideration by preparing a personal study plan for each student. In 2005, more than 27,600 people completed vocational labour market training. Of these, 21% achieved a complete qualification, indicating an increase of 6% to the year before.

In 2006, 37% of the applicants were accepted in vocational education. The share of young people aged 15-24 in the students has continued to decrease, and that of older age groups has increased. Less than one half of the students have a secondary level qualification, one third have only completed basic education and less than one in five of those starting in training are third-level graduates.

3.3.6 Vocational rehabilitation

Under the Act on Public Employment Service, the labour administration arranges the following vocational rehabilitation services for customers with disabilities:

- 1) vocational guidance and career planning services and related examinations of the disabled person's health and aptitude, expert consultation, work and training try-outs, visits to vocational institutions and work try-outs at workplaces;
- 2) advice and guidance in work placement and training;
- 3) preparatory and vocational labour market training
- 4) job placement support measures such as assessments of client's working capacity, expert consultations, work and training try-outs, rehabilitation examinations, job and training trials in vocational institutions, work coaching and work try-outs at workplaces,
- 5) employment of a disabled person can be subsidized through a subsidy for arranging working conditions (see 3.3.8)

The services and support measures of vocational rehabilitation aim at finding employment for disabled persons primarily in the open labour market by promoting their rehabilitation and maintaining their professional capacities and ability to work. In the public employment services, a person is considered disabled when his or her possibilities of finding suitable work, holding down a job or being promoted in their work are significantly reduced because of an appropriately documented injury, illness or other deficiency.

The vocational rehabilitation planning of persons with disabilities is an individual process with a number of phases, during which the customer needs personal guidance, counselling and individual support measures. Based on their previous work experience and training, the customers are supported in finding work that would match their capacities and interests, in which the injury or illness would be as little of an impediment as possible. In many cases, it is necessary to start looking for suitable job opportunities in a totally new professional sector.

The personal guidance and counselling skills of rehabilitation advisors, vocational guidance psychologists and labour force advisors who work as rehabilitation advisors in addition to their other duties play a key role in the vocational rehabilitation planning of disabled customers. The expertise

of the training advisors is needed in guiding customers to training. In 2006, some 14,300 individual support measures in order to facilitate rehabilitation planning and establish working and training abilities were arranged, and this figure seems to be going up slightly (see table 3.1.).

Table 3.1. Disabled jobseekers in the public employment service and the active labour market measures arranged by the labour administration

	2000	2001	2002	2003	2004	2005	2006
Number of disabled Jobseekers	83 015	84 552	85 600	87 368	89 936	91 069	91 600
Of them unemployed	68 692	68 601	67 418	66 857	67 461	67 325	66 958
Of them participated in active labour market measures total	68 559	68 719	72 628	70 885	78 213	79 898	70 042
- support measures x)	8 328	5 750	8 506	11 592	12 033	13 237	14 290
-job placements on the open labour market	36 489	40 471	40 334	41 324	42 933	43 905	44 114
- started a labour market training	8 248	7 581	7 794	7 232	7 222	6 796	7 720
- started other vocational education	1 329	1 289	1 258	1 164	1 258	1 239	1 179
- placements in subsidized employment	11 139	10 426	10 228	9 572	9 091	8 139	9 853
- other supported measures xx)	3 058	3 173	4 503	5 327	5 673	6 582	7 176
- placements in sheltered work	43	29	5	1	3	0	0

x) took part in work placement support measures such as health and rehabilitation examinations, work and training try-outs, work coaching

xx) work training, traineeship subsidies, part-time supplements, support for those who take up self-employment etc.

Thanks to the economic growth and increase in employment rates as well as the enhanced labour policy, the number of disabled unemployed jobseekers has started declining slightly. While the number of unemployed disabled jobseekers was an average of 40,000 monthly in 2000, in 2006 this figure is around 36,000.

3.3.7 Wage subsidy

Employment office makes always first and foremost efforts to find a vacancy for a jobseeker or guide him/her to training that would promote the finding of a job through employment services. In case a jobseeker cannot find employment through such individual measures, the Employment Office may grant an employer a wage subsidy towards the wage costs of an unemployed person. The subsidy system was reformed from the beginning of 2006. The new system consists of a wage subsidy and an employment subsidy paid to the employee.

A wage subsidy may be granted to a company, organisation, private employer, municipality or federation of municipalities. A wage subsidy can be granted for work performed under an employment contract or for apprentice's indenture. Also a wage subsidy voucher is in use. The certain groups of unemployed jobseekers can have it for a support to their independent search for a job.

The objective of work arranged on a wage subsidy is to improve the vocational skills, competence and labour market position of the unemployed jobseeker and to promote access to the open labour market for those who have been unemployed for extended periods. A wage subsidy can be used to employ unemployed persons who have deficiencies in their competence or vocational skills or whose productivity in the task that is offered is estimated to be lower because of his/her long pe-

riod of unemployment, disability or other reason. Primary target groups include the long-term unemployed, young people and disabled.

The amount of the wage subsidy is some Eur 514 a month (basic subsidy), in addition to which a maximum of 60% of the basic subsidy amount can be granted as an additional part. A condition for granting the additional part is the verified deficiencies in the competence and vocational skills of the person to be employed on the subsidy. Additional part is also used for supporting the combining of training and learning with subsidized work, especially in enterprises. The additional part will be granted in full especially in cases where enterprises bind themselves to paid apprenticeship training or other training, or to other development of the labour market skill.

Without the training requirement, the additional part can be granted to enterprises for the employment of persons who have drawn unemployment security for a minimum of 500 days and/ or who are disabled. The enterprises are no longer required to have permanent employment relationship as a prerequisite for a subsidy, if the employed person has drawn unemployment security for at least 500 days, or if he is long-term unemployed or disabled. The additional part intended for the employment of difficult-to-place unemployed job seeker can be at maximum 90 per cent of the basic subsidy.

A wage subsidy can be granted for no longer than 10 months at a time. For apprentice's indenture, wage subsidy can be granted for the whole training period. For the employment of a Work Planning Officer, or a person who is difficult to employ or disabled, a wage subsidy can be granted for a maximum of 24 months at a time.

To companies entered in the register of social enterprises maintained by the Ministry of Labour, wage subsidies may be granted on different and more advantageous terms than to other companies.

The law contains provisions on preconditions that the employer must fulfil to receive a wage subsidy. A wage subsidy cannot be granted to an employer in case

- the employment relationship started before the decision to grant a subsidy was made
- the employer has, during the 9 months preceding the submission of the application, for production-related or financial reasons dismissed or laid off some of its employees engaged in the same or similar tasks, or shortened their working hours
- the employment based on the subsidy would result in dismissals or temporary layoffs of other employees or undermine their working conditions or benefits
- the vacancy could be filled without the subsidy
- the employer receives for employing the person to be hired on the subsidy or for promoting employment another state subsidy for the same period, excluding a training compensation payable to the employer in apprentice's indenture and, in connection with the highest additional wage subsidy, assistance from Finland's Slot Machine Association or support from national lottery funds.
- if the subsidy would result in a distortion of competition with other parties offering the same products or services.

Another condition for granting the subsidy is that the employer is committed to paying a salary in compliance with the collective agreement applicable to the employment relationship in question, or if such a collective agreement does not exist, the usual and reasonable wage for the work in question.

The unemployment appropriations may also be used to offer employment in a State office or institute.

The unemployment appropriations can be used within the limits set by the State Budget. The subsidy is discretionary on labour political grounds.

A part-time supplement will be paid to compensate for the loss of earnings for employees moving on to do part-time work.

Other forms of promoting employment include

- Preparatory training for working life
- On-the-job training
- Short-time allowance
- Start-up grant for those starting enterprising activities
- mobility allowances

3.3.8 Subsidy for arrangement of working conditions

Placement of a disabled person in a workplace or retention of that job may require changes to work machines, tools or methods or the external working conditions at the workplace, or arrangements that are essential in order to compensate for or reduce the inconvenience caused by the disability or disease. The resulting costs can be reimbursed to the employer subject to an application for subsidy for arrangement of working conditions (section 7 of the Act on Public Employment Service Benefits).

The maximum amount of the subsidy for arrangement of working conditions was raised on 1 January 2003. The maximum subsidy is now EUR 2,500 for each disabled person. If the person involved has a severe disability, the maximum amount may be further increased by EUR 1,000. If the costs resulting from changes or arrangements would be greater than the purchase price of a new machine, equipment or piece of furniture, the purchase costs can be reimbursed to the employer.

Subject to the employer's application, assistance provided by another employee to a disabled person in order to improve their opportunity to handle the work can be reimbursed as subsidy for arrangement of working conditions. The maximum amount is EUR 250/month for a maximum period of 12 months. In the case of a severely disabled person, the subsidy can be increased by EUR 100/month and paid for a maximum of 24 months. When assessing the need for subsidy for arrangement of working conditions and the conditions for granting the subsidy, the employment authority shall consult occupational health care or occupational safety and health experts. The granting of subsidy for arrangement of working conditions for a disabled person in an employment or

other service relationship requires a doctor's certificate outlining the limitations to the employee's work ability and an assessment by occupational health care or the occupational safety and health authority concerning the need for the planned arrangements. The employment office in the area where the workplaces are located shall assess the need for subsidy for arrangement of working conditions.

3.4 Social enterprises

A social enterprise is above all a business just like any other. It is entered in the trade register. Its purpose is to make a profit by providing products or services for the market. A social enterprise can operate in any sector at all. The only juridical difference is that a social enterprise is entered in the register of social enterprises maintained by the Ministry of Labour. Only companies entered in this register are allowed to call themselves social enterprises in their business and marketing. In practice, social enterprises are funded in the purpose to give jobs to disabled and long-term unemployed.

To be accepted into the register of social enterprises, a company must fulfil the following criteria:

- at least 30% of the company's personnel must be disabled persons or a mix of disabled persons and long-term unemployed persons (share of disabled and long-term unemployed employees);
- all employees must be paid the salary due to a fully capable employee as per the relevant collective bargaining agreement;
- the company has not violated any laws in its business, has not acted contrary to good business practice, and has not defaulted on its taxes, social security contributions or social insurance contributions.

A company can be entered in the register maintained by the Ministry of Labour on its own application. A social enterprise will be struck off the register either on its own application or when it no longer fulfils the criteria for registration. If the percentage of disabled and long-term unemployed persons in the personnel falls below 30%, the company will have six months in which to correct the situation. A disabled person will be included in the share of disabled employees for as long as his employment relationship lasts. A long-term unemployed person will be included in the share of long-term unemployed employees for as long as wage subsidies are paid towards his salary, and for one year after the end of his subsidised employment period.

Pursuant to the Government Programme, the legislation on social enterprises will be adjusted to give mental health rehabilitees, those on a cash rehabilitation benefit and those who have temporarily relinquished their disability pensions to find work a better chance of finding jobs with social enterprises than today.

Social enterprises are on an equal footing with other businesses as regards private and public financing. However, social enterprises may be paid wage subsidies and employment promoting aid out of employment appropriations on terms different from those for other companies.

The purpose of the subsidies paid as wage subsidies is to compensate for the reduced work contribution of a disabled person or long-term unemployed person. The rules regarding employment

subsidies have been altered so that social enterprises can be granted such subsidies on looser terms and for longer periods than other companies.

Legislation on social enterprises was amended from the beginning of May 2007. The level of wage subsidies granted to social enterprises was increased. In cases where the employment of customers cannot be supported by such as the highest level of additional wage subsidy, the subsidy for a disabled or long-term unemployed person is determined as a percentage: employers receive compensation for 50% of the salary costs. The upper limit, however, is Eur 1,300 a month. Further, wage subsidy can be granted to a disabled person for a maximum of three years at a time. On certain conditions, the subsidy can be continued for another period of three years without interruption. For a long-term unemployed person, a subsidy can be granted for a maximum of two years.

A social enterprise can be paid an employment policy aid. Support may also be granted for setting up a social enterprise and making its activities permanent. The maximum of this support may be no more than 75% of the eligible total cost of the activities. Support for the costs of setting up and making permanent the activities of a social enterprise can be granted for the time it is estimated that the launching and establishing of enterprising activities will take.

In December 2007 there were 150 social enterprises. The number of employees was 750 and the share of disabled and long-term unemployed was over 40%.

3.5 Work activities and measures supporting employment of people with disabilities

3.5.1 The intermediate labour market

According to the Government Programme of Prime Minister Vanhanen's second government, the functioning of the intermediate labour market will be improved and preconditions for low-threshold employment will be created for all jobseekers.

The intermediate labour market refers to opportunities for working that are in between unemployment and the open labour market (= the labour market where no subsidies are used for the salaries) for persons who, for a variety of reasons, find it difficult to obtain a position in the open labour market or training. Through the intermediate labour market it is possible to assess working and social capacity and improve employment opportunities and the likelihood of finding employment.

The intermediate labour market can be divided into two parts. The first part includes active labour market measures and the second part active social policy measures. The Ministry of Labour is responsible for the active labour market and the Ministry of Social Affairs and Health for the active social policy. The active labour market measures are subsidised work and on-the-job-training. The active social policy measures are rehabilitating work activities and work activities as described in the Social Welfare Act. The aim of the active social policy measures is to improve a person's life management skills and create employment capacity.

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

- 1) long-term unemployed
- 2) disabled
- 3) people who are statistically likely to become long-term unemployed

- 4) people who have retired through illness (temporary or permanent) (most of them have mental illnesses)

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

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

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

The Ministry of Labour follows the proportion of those who were unemployed after receiving pay subsidies for three months. The third sector is the least effective at getting people into the open labour market. About 55 % are unemployed and about 30 % are again in active labour market measures after three months.

The Ministry of Labour is the administrator of the European Social Fund (ESF) in Finland. Funding provided by the ESF is going to be used to develop the ILM. The total funding provided by ESF for the 2007 – 2012 programming period is approximately 70 million Euros.

3.5.2 Sheltered work

In Finland, sheltered work in a contractual employment relationship has been done since 1946 based on the Care of Invalids Act. According to the relevant provision in the Act, sheltered work could be organised for invalids and, as needed, for other persons who due to their reduced work ability otherwise could not obtain paid employment in keeping with their strength and abilities. In 1970 it was laid down that the aim of the provision was to secure the livelihood of an invalid if the invalid had not obtained employment in keeping with his or her work ability elsewhere.

The Amended Care of Invalids Act of 1978 made sheltered work a responsibility of the labour administration. Besides the previous income-related objective, it was made the objective of sheltered work to employ the disabled clients referred to it by the employment offices. Because of this employment duty the sheltered workshops were planned to be as diversified as possible in their lines of production.

The care of people with disabilities has been the responsibility of the municipal authorities and has been covered by central government transfers to local government since 1984.

Before that it was the responsibility of the State. In financial terms many private workshops started even prior to the reform of the financing of social welfare and health care to apply a system

in which municipal authorities took part in covering the financial losses of workshops in case the statutory government aid was not sufficient. The labour administration indirectly took part in supporting the workshops financially by allocating employment appropriations to investment project costs and organising vocational training courses for sheltered workshop workers at the stage when sheltered workshops were being started.

The provisions on sheltered work under the Care of Invalids Act were repealed on 1 April 2002.

At present, work similar to the previous sheltered work can be organised on the basis of the Social Welfare Act. In the context of the legislative reform of 2002 a new provision was added to the Social Welfare Act regarding the duty of the municipal authorities to organise work for people with disabilities as well as other activities to promote their employment.

3.5.3 Work for people with disabilities

In the context of the legislative reform of 2002 a new provision was added to the Social Welfare Act regarding the duty of the municipal authorities to organise work for people with disabilities as well as other activities to promote their employment. The reforms came into force on 1 April 2002. Then specific work for people with disabilities had already been established as a social service, meaning that the participants are not in an employment relationship to the workshop and not subject to the provisions on employment relationships. Work for people with disabilities is an activity to maintain and promote the functional capacity of those participating in it. The workshops and centres organising work for people with disabilities number about 350. They are primarily maintained by municipalities and joint municipal boards. Work for people with disabilities can also be arranged at ordinary workplaces in the form of so called 'open' work. The income of the people with disabilities taking part in this work is chiefly based on the benefits granted on the basis of their illness or incapacity for work.

3.5.4 Work and day activities for persons with intellectual disabilities

According to the Act on Special Care for Mentally Handicapped Persons, persons with intellectual disabilities are provided, as a part of the special care, with work that aims to promote their adaptation to society. In addition, day activities are arranged primarily for persons with the most severe disabilities, and other guidance, rehabilitation and functional training is arranged for older people.

3.5.5 Rehabilitative work

Rehabilitating work activities are an instrument of active social policy, the purpose of which is to improve the capacities of a person having received labour market support or communal social assistance based on extended unemployment. The employment office and the municipality draw up an activation plan together with the unemployed person, which maps the current situation of the customer and contains an agreement on measures improving the possibilities of being employed. This plan can also include an agreement on participation in rehabilitating work activities, the organisation of which as a social service is ensured by the municipality. Participation in rehabilitating work activities is only compulsory subject to losing social benefits for persons under 25 years of age within the scope of the Act on Rehabilitating Work Activities.

The Act on Rehabilitative Work entered into force on 1 September 2001. The objective of the measures provided for in the Act is, on the one hand, to promote the employment of unemployed persons and, on the other hand, to activate and rehabilitate persons who have been unemployed for a long time.

Municipalities and employment office co-operate to promote the employment of long-term customers. The Act on Rehabilitative Work entered into force on 1 September 2001. The objective of the measures provided for in the Act is, on the one hand, to promote the employment of unemployed persons and, on the other hand, to activate and rehabilitate persons who have been unemployed for a long time. The target group of the Act is persons whose income is based on labour market support social assistance payable on the basis of unemployment. The Act is applied to clients under 25 years of age after a shorter unemployment spell than for those aged 25 or more.

The target group under the age of 25.

-Has received labour market support on the basis of unemployment for 180 days during the past 12 calendar months or

- Is receiving labour market support on the basis of unemployment after a full period of unemployment allowance (500 days) or

- Main source of income during the past four months has been social assistance paid on the basis of unemployment

The target group over the age of 25

- has received labour market support for at least 500 days on the basis of unemployment or

- after a full period of unemployment allowance (500 days or the right to additional days has expired), has received labour market support for at least 180 days on the basis of unemployment or

- the main source of income during the past 12 months has been social assistance paid on the basis of unemployment

A person that meets the above-mentioned requirements is responsible for participating in the drafting of an activation plan with the employment office and municipal social services.

The purpose of rehabilitative work is to maintain work ability of long-term unemployed people and provide for them a channel either to employment or employment promoting measures. The practical implementation of rehabilitative work experience is organized by the municipality. Rehabilitative work experience is intended as a new possibility for long-term unemployed persons whose main livelihood has consisted of labour market support or income support and whose likelihood for getting employed by means of traditional measures available is poor. For those aged 25 or more, participation in rehabilitative work experience is voluntary. Yet, for young people, refusal without an acceptable reason may cause the loss of labour market support for a fixed period, or decreased income support. The assessment of possibility to use employment measures is always primary, and the client is assigned rehabilitative work experience only if it has not been possible to help him by conventional employment measures.

The recipients of labour market support are paid a maintenance allowance and the recipients of social assistance are paid a premium grant for the days they take part in rehabilitative work. In addition, travel costs are reimbursed to all on the basis of the Social Assistance Act. The amount of the maintenance allowance and the premium grant is EUR 8 per day.

The state compensates the municipalities for the costs caused by rehabilitative work experience from the budget of the Ministry of Labour by a performance-based amount of 10 euro a day per person participating in rehabilitative work experience

3.5.6 Supported employment

Supported employment means work in an employment relationship by support from a particular support person, a work coach. The support related to supported employment may constitute support for job seeking, planning of trials to work at a workplace, practical training, teaching and training, as well other arrangements in cooperation with the employer. The model of supported employment has been applied in Finland since 1996, primarily for the employment of workers with intellectual disabilities and mental health rehabilitees. There are about 200 people with intellectual disabilities in supported employment in Finland, about 75 per cent of them with a permanent employment relationship.

3.5.7 Workshop activities

The first workshop was established in Finland in 1983. At the start, workshop activities were chiefly a tool of youth work, a means to prevent exclusion of young people from the labour market and education. The target group was unemployed young people and young people with no vocational education. In 1995 – 1999 approximately 40,000 young people worked at workshops. At the turn of the century the number of adult long-term unemployed people employed at the workshops began to increase.

The major part of the youth workshops are financed by grants from the Ministry of Education. Furthermore, project funding granted by the European Social Fund has been of great significance in development of the workshop activities. Those participating in workshop activities can work either in an employment relationship, or the activities can constitute for instance rehabilitative work or vocational rehabilitation for people with disabilities. Workshops also provide apprenticeship training.

The aim of workshop activities for young people is to support the social growth of the young people, strengthen their life skills, prevent exclusion and guide them to education, training and the labour market. Generally, young people stay on in the workshops for six months. The young person can also come to a workshop for on-the-job training or apprenticeship training. The majority of young people, (more than 66%), are referred to the workshops by the Labour Administration (60% through the Employment Office and 6% through Labour Force Services Centres). More than 12% are referred to a workshop by the Social Insurance Institution and nearly 12% by educational institutes. The number of young people joining the workshops without being referred by the authorities is increasing, and in 2006 it was nearly 8%; for less than 2%, the quarter having referred them was not recorded. In 2006, the workshop activities reached 10,500 people, of whom 6,800 were young persons under the age of 29. The workshop activities annually employ 1,050 workshop coaches.

The number of workshops for young people has stabilised at around 200, and regional co-operation between the workshops has increased. The majority of the workshops are part of the municipal organisation, and more than one half of them work under the administrative sector responsible for youth work. The activities are mainly maintained by means of project funding from various sources (Ministry of Labour, Ministry of Education, European Social Funds, Finland's Slot Machine Association, municipalities.)

3.6 Rehabilitation

Rehabilitation as a whole is an activity of many administrative sectors. The main players in the field of rehabilitation are

- Municipal health care
- Social Insurance Institution
- Earnings-related insurance rehabilitation
- Insurance Rehabilitation
- Municipal social services
- Public employment services
- Special education

The vocational rehabilitation tasks are handled within different service and administration systems. It is very important to promote the cooperation between the authorities such as social and health care authorities, the educational and labour administration and social insurance institutions. The Act on Cooperation on Client Services within Rehabilitation and the amendments of related acts (497–510/2003) came into force on 1 October 2003. The purpose of the Act is to help rehabilitation clients in getting the rehabilitation services they need. The act sets aside the earlier Act on Cooperation in Respect of Rehabilitation Service.

The Act on Cooperation on Client Services within Rehabilitation (497/2003) prescribes the principles governing the cooperation between different administrative sectors, the status of clients as well as the procedure for the cooperation. In addition, the Act prescribes the composition and tasks of the local, regional, and national cooperation organs. The acts concerning the authorities that provide rehabilitation services (498–507/2003) specify the provisions on rehabilitation cooperation as well as emphasise the duty of authorities, institutions and communities to steer clients to the services they need in cooperation with other actors providing the services. Additionally, provisions on rehabilitation cooperation have been included in the Basic Education Act, General Upper Secondary Schools Act, and the Vocational Education and Training Act (508–510/2003).

At the local level, the work on cooperation in rehabilitation-related client service is assigned to specific cooperation groups, at the regional level to specific cooperation committees, and at the national level, to the Advisory Board for Rehabilitation. The task of these organs is to plan and monitor the implementation of rehabilitation as well as to promote cooperation between the authorities, institutions and communities. The central social and health care authorities, the educational and labour administration as well as the Social Insurance Institution and other related com-

munities and institutions have appointed representatives to the cooperation organs. In the regional and national cooperation organs, also organisations representing rehabilitation clients are present.

Rehabilitation clients have the right to have their cases considered in the local cooperation group. The client and, subject to the client's consent, a member of his or her family have the right to be present when the matter is considered.

In most cases the cooperation and exchange of information is carried out as a part of normal client work. The client's case is brought to the local cooperation group if a solution to the rehabilitation matter cannot be found otherwise and either the client or a representative for one of the authorities involved takes the initiative.

The division of responsibilities in vocational rehabilitation and the tasks of the parties involved is shown in table 3.2.

Table 3.2. Division of responsibilities in vocational rehabilitation

The client's Situation	Responsible Institution	Measures/tasks	Cooperating institution	Income security during rehabilitation
Short-term disability (illness)	Health care/ Occupational health care	Treatment, sick leave	The employer	<i>Sickness benefit</i>
Long-term temporary disability (long-term illness)	Health care/ Occupational health care	Plan for treatment and rehabilitation, treatment and medical rehabilitation	The employer The Social Insurance Institution	- " - <i>max 300 days or rehabilitation allowance</i>
Incapacity or threat of incapacity for work: because of accident at work / work-related disease or traffic accident	Accident and motor liability insurance institutions/ Insurance Rehabilitation Association	Rehabilitation examinations, work and training trials, vocational education, specific training in the workplace, financial support for self-employment etc.	Occupational health care, Education, Public employment services, Rehabilitation service-providers etc.	<i>According to the benefits of the responsible institution</i>
Incapacity or threat of incapacity for work: because of disease, defect or disability (sufficient work history)	Authorised pension providers	<i>Mainly the same as above</i>	<i>Mainly the same as above</i>	<i>According to the benefits of the responsible institution</i>
Incapacity or threat of incapacity for work: because of disease, defect or disability (insufficient work history)	The Social Insurance Institution	<i>Mainly the same as above</i>	<i>Mainly the same as above</i> Local rehabilitation cooperation groups, Social sector	<i>According to the benefits of the responsible institution</i>
Young disabled persons entering working life	The Social Insurance Institution	Vocational education, expensive technical aids for vocational training and work	Vocational training and guidance institutions, special education, Social sector etc	<i>Rehabilitation allowance</i>
Unemployed/ job-seekers with disabilities	Public employment services (PES)	Employment services, vocational guidance, work and training trials, vocational labour training, labour market measures, etc.	Social and Health care, Occupational health care, Local rehabilitation cooperation groups, Education etc.	<i>According to the benefits of the responsible institution</i>

Source: The Advisory Board for Rehabilitation, 2007

Rehabilitation Report 2002 includes the latest overall assessment of total costs of rehabilitation for year 2000. The estimated total annual cost of rehabilitation was then 1213 million euro (table 3.3). After this the costs and relative importance of different sectors have changed.

Table 3.3 Total annual cost of rehabilitation in year 2000, million euro.

<i>Sector of rehabilitation mill. euro</i>	
Health services	241.3
Social services	287.4
- services for persons with disabilities	143.0
- work and activity centres	105.6
- alcohol and drug rehabilitation	38.7
Social Insurance Institution	225.4
Earnings-related insurance rehabilitation	20.9
Work accidents and occupational diseases	20.7
Traffic insurance	12.1
War invalids and veterans	78.6
Slot Machine Association	31.5
Basic special education	121.1
Special vocational education	76.4
Public employment services	97.9
Total	1213.0

Source: Rehabilitation Report 2002

The estimated total costs of rehabilitation provided for people in working life were 220 million euros in 2004 (Table 3.4). This figure includes rehabilitation financed by the Social Insurance Institution, earnings-related insurance and work accident and traffic insurance. Additionally the costs of the vocational rehabilitation provided by the public employment services were approximately 98-100 million euros during the years 2000-2004.

Table 3.4 Costs of rehabilitation provided for people in working life in 2002-2004, mill. euro

	2000	2001	2002	2003	2004
Social Insurance Institution					
- services	101,7	101,0	101,2	102,3	97,7
- income support	38,5	42,1	49,5	55,0	58,7
Earnings-related insurance rehabilitation	20,9	23,9	27,2	31,3	35,8
Accident and traffic insurance	22,8	23,6	28,0	30,2	28,0
Total	183,9	190,6	205,9	218,8	220,2

Social Insurance Institution (SII)

SII provides and reimburses both vocational and medical rehabilitation.⁸ Rehabilitation benefits are available to individuals who experience a substantial impairment of working or functional capacity or who are at the risk of disability, and whose situation could be helped by means of rehabilitation. This is always an individual assessment.

Sickness allowance and rehabilitation are closely connected. SII is under law required to assess a client's need of rehabilitation at the latest when he or she has received sickness allowance for 60 days. SII's local offices determine on a case-by-case basis whether a rehabilitation assessment is necessary. After having paid sickness allowance for 150 days SII informs the client a second time of different rehabilitation opportunities and also of disability pension. Despite the assessments and informing, participation in rehabilitation programmes is voluntary and not a precondition to receive sickness allowance. However, when it comes to long-term sickness and disability, rehabilitation has a more important role. For example assessment of rehabilitation need is under law one of the preconditions to receive disability pension.

Vocational rehabilitation is meant for persons whose work and earnings capacity is significantly impaired by an illness, defect or injury, or who are at risk of becoming disabled within the next few years. Vocational rehabilitation measures include the following:

- assessment of rehabilitation need and outlook
- work and training try-outs
- training designed to maintain and enhance working capacity, by means of which the rehabilitation client can acquire the means to continue in his or her regular job, if work-site and occupational health care measures prove insufficient
- job coaching given at a work activity centre or comparable institution, or under special circumstances in an individualized setting
- basic vocational training, skills updating, or retraining. Basic education and instruction leading up to such education or training are part of the rehabilitation process
- self-employment assistance
- assistive devices for work and study

In addition SII can provide discretionary rehabilitation or give a reimbursement for the cost of other rehabilitation with funds specially allocated for this purpose in the State budget. These discretionary rehabilitation services are provided in accordance with a yearly plan. Some examples of discretionary rehabilitation services are:

- treatment in a rehabilitation centre or courses arranged by rehabilitation centres or other institutions, with the aim of improving the participant's working and functional capacity. The rehabilitation can also be geared to the requirements of a particular occupation

⁸ Vocational rehabilitation is provided for persons with impaired functional status. Medical rehabilitation is provided for severe disabilities beyond curative treatment in health care.

- adaptation training courses designed by various special organizations representing persons with disabilities are organized at rehabilitation centres. The training is aimed at improving the psychic, physical and social skills that have been impacted by an illness or handicap.
- psychotherapy or neuropsychological rehabilitation aimed at restoring the patient's ability to work or study

According to the new rehabilitation legislation that came into force in 2004 the insured person under the threat of working incapacity has the legal right to the vocational rehabilitation organised by the Social Insurance Institution.

The SII arranges the necessary examinations of rehabilitation service needs when it starts to pay sickness allowance, in order to establish at the earliest possible stage the insured person's need and potential for rehabilitation. If necessary, a more extensive rehabilitation examination is made, with work and training trials, and this is used as the basis for a vocational rehabilitation plan.

SII consider the purpose of the vocational training as being to enable a disabled person to secure, retain and advance in suitable employment. The vocational rehabilitation of SII requires a threat of working incapacity or a substantial decline in the applicant's working capacity because of injury or disease. When SII make the decision concerning the rehabilitation, the student is paid the costs of the vocational training. The National Pensions Act was amended in April 2002 so as to improve the effectiveness of the provisions applied to leaving a disability pension dormant. The period of eligibility for the rehabilitation allowance payable to young people in order to ensure vocational rehabilitation has been lengthened up to the age of 20 years by amending the Rehabilitation Allowance Act in 2002. Then the primary income of a disabled person would be, instead of pension, the rehabilitation allowance for a sufficiently long period to enable the young person to obtain adequate education and rehabilitation. On the other hand, 16 - 19-year-olds would not be granted a disability pension until their entitlement to a rehabilitation allowance has ended. Most of those in the vocational training supported by the SII continue to be disabled persons who are participating in basic vocational training.

The preparatory training to maintain and to improve working capacity (TYK-rehabilitation), which began in 1991, is intended for employees who want to stay in working life despite their injury or disease. This rehabilitation is carried out in close connection with occupational health services at the workplace for ageing people who have been in working life for a long time. In the case of person with serious disabilities support is provided by granting the technical aids needed. Most are granted to those with visual and CP-disabilities. In addition, early rehabilitation including vocational and medical rehabilitation services (ASLAK) are arranged based on deliberation of SII for persons who are in working life.

See also 2.6 Income maintenance during rehabilitation

Rehabilitation within the earnings-related pension scheme

The authorised pension providers pay the vocational rehabilitation for persons who have participated on a permanent basis in working life. The requirement is that the applicant has earnings totalling at least 27,646.74 euros for the last five years (2007).

Vocational rehabilitation may constitute, for instance, work try-out, work counselling, training leading to an occupation or a profession. It may also include support to start or continue business activities.

Vocational rehabilitation takes precedence over the disability pension. The aim is that rehabilitation measures should be started in good time so that the incapacity for work can be prevented, or at least the onset of disability postponed. A person aged less than 63 is entitled to purposeful vocational rehabilitation within the earnings-related pension scheme, if the illness is expected to pose a threat of the person having to retire on a disability pension within about five years.

When evaluating the purposefulness of rehabilitation, factors that are taken into account are the employee's age, profession, previous activity, education and training, stabilised participation in the labour market as well as whether the vocational rehabilitation applied for is likely to lead to the employee's continuing in work suited to his or her state of health or returning to work. In addition the question whether the vocational rehabilitation will postpone the employee's retirement is considered when evaluating the purposefulness. The mode of rehabilitation is decided by the pension provider on the basis of the rehabilitation plan filed by the applicant. Since 2007 even the decision regarding mode of rehabilitation can be appealed.

If the applicant for rehabilitation within the earnings-related pension scheme is not yet drawing a disability pension, he or she is paid rehabilitation allowance for the period of rehabilitation. The rehabilitation allowance amounts to the disability pension increased by 33 per cent.

Partial rehabilitation allowance is paid to a rehabilitee who, while receiving vocational rehabilitation, continues working on a part-time basis. The partial rehabilitation allowance amounts to the partial disability pension increased by 33 per cent.

The recipient of cash rehabilitation benefit, i.e. a temporary disability pension, is paid a rehabilitation increment of 33 per cent on top of the pension for the period of rehabilitation.

The Social Insurance Institution investigates the need for rehabilitation of persons who receive sickness allowance. The Social Insurance Institution arranges medical rehabilitation and pays for the costs arising from this. The Social Insurance Institution also arranges and reimburses costs arising from vocational rehabilitation.

Insurance Rehabilitation Agency

The Act on rehabilitation compensable under the Accident Insurance Act (625/1991) and the Act on rehabilitation compensable under the Motor Third-Party Insurance Act (626/1991) have not been amended since they came into force. The rehabilitation under these Acts continues to be vocational rehabilitation related primarily to working and earning capacity, and its aim is to provide support for a return to work and continued participation in working life. There has been no real need to amend this legislation.

In the beginning of 2005 a new legislation on compensation of the health care services provided to persons injured in traffic accidents, work accidents and in occupational diseases was established. The insurance sector is now responsible for all the health care costs of these people. This gives better opportunities to combine the medical treatment and medical and vocation rehabilitation.

The Insurance Rehabilitation Agency's approach to vocational rehabilitation is based on comprehensive steering of the rehabilitation process through case management in which the rehabilitation counsellor supports the client throughout the rehabilitation process. The Agency does not itself provide rehabilitation services, relying on existing outside services. It acts as instructed by the insurance institutions, providing for the rehabilitation needs of their customers, assessing rehabilitation potential and ensuring that the rehabilitation is carried out.

A person undergoing rehabilitation is paid a full per diem allowance or industrial injuries pension under the Industrial Accident Insurance Act for the period of rehabilitation. Motor insurance compensation continues in the normal way during the rehabilitation period.

Rehabilitation activities in health care

The rehabilitation functions of local authority health services are stipulated in the Primary Health Care Act, the Specialised Medical Care Act and the Mental Health Act. These laws require local authorities to provide the medical rehabilitation that is needed by local residents. Medical rehabilitation includes counselling, investigations of the need and availability of rehabilitation, therapies and rehabilitation periods, instrument services, adaptation training and rehabilitation guidance.

Vocational rehabilitation within employment services

The rehabilitation organised by employment administration is mainly intended for unemployed persons and disabled persons who are at risk of unemployment, and for disabled persons outside of the labour market.

See 3.3.6 above

3.7 Occupational Health Services (OHS)

Development and Challenges in Recent Decades (1980-2007)

During the 1980s it became clear that assuming the economic growth of the decade will continue, the ageing of the population would inevitably lead to poor availability of workforce during the first decade after year 2000. The economic growth after the recession in the early 1990s changed the labour market, intensified work processes, and many people had to find a new job and acquire new skills. In particular, the ageing part of the work force found it difficult to adjust to the new situation and showed higher interest in early retirement schemes. The anticipated lack of work force gave rise to a discussion on the adjustment of the work to the needs and work ability of the ageing workers and prompted the reform of both occupational safety and health and occupational health services legislation in the beginning of 2000s.

The tripartite cooperation has played a most important role at all stages of the development of the occupational health services. For the past decades occupational health services have been developed in consensus and cooperation between the authorities and labour market organizations as required by changes in working life. These needs for change have been taken into account in revising occupational health care legislation. Systematic development and follow-up of the occupational health services is carried out by the Advisory Committee on Occupational Health Care in the Ministry of Social Affairs and Health. All main actors in the field of OHS are represented in the committee.

Incapacity for work has been a major problem in Finnish working life in the 2000s due to high disability pension rates among the age groups over 55 years and particularly in the age group 60 to 64 years, in which less than 20% are active in working life. The maintenance and promotion of work ability and prevention of disability by appropriate occupational health measures and by general health promotion are given high priority.

In order to be successful, occupational health service requires that all parties are committed to supporting the promotion of the healthiness and safety of the workplace, taking into account all factors that influence the maintenance and promotion of health and working capacity.

Occupational health service system and practice

The Finnish national development strategy relies on expertise, high-quality products, the productivity of labour and competitiveness. Working life is an important part of the life of all citizens, and it should thus be improved in accordance with the objectives set for a welfare society.

Occupational health service is an important part of health and social welfare policy and of the health and social welfare service system. Occupational health service supports the maintenance of health and workability, improves the quality of working life and promotes safety so as to give effect to the high standard of labour protection enshrined in EU legislation. At the same time, occupational health service supports the prolonged full participation of employees in working life.

The Ministry of Social Affairs and Health has produced a development strategy for occupational health service up to the year 2015. It is complemented with a detailed OHS implementation plan, which contains measures to

- promote health and working capacity;
- increase the attractiveness of working life;
- prevent and address social exclusion;
- provide effective services and reasonable income security.

The plan is based on and followed up by statistics, regular surveys and research on needs and trends and on the impact of actions and improvements. It has been set as a target that by 2010 employees should stay at work for two to three years longer than now. This requires not only continuous improvement of working conditions and the working environment but also measures to improve lifestyles, the general health of the population and the general working capacity of the population (Figure 1). Occupational health service and other health service should invest more in promoting the health, including both work-specific and general health, of the working-age population. These measures are also necessary for carrying out the pension reform in Finland.

Recent reforms

The Primary Health Care Act of 1972 and the amendments thereto enacted in 1978 linked occupational health care to primary health care by allowing the employer to organize voluntarily primary health care for his/her employees as a part of occupational health services. Changes in content have been caused by the agreement signed by the labour market organizations in the early 1990s concerning promotion of activities to maintain working capacity and the consequent inclusion of activities to maintain working capacity in occupational health care legislation. Good occupational health practice was defined as the main principle in the revision of the compensation system in occupational health service in 1994.

According to the Occupational Health Care Act (1383/2001), each employer is required to provide occupational health services for his or her employees. The financial compensation system administered by the Social Insurance Institution (SII) supports the attainment of the aims of the Occupational Health Care Act and the provision of occupational health services for all employees in all workplaces. According to the Act, entrepreneurs and other self-employed persons can provide themselves with statutory preventive and health-promoting occupational health services.

Four main laws form the basis of occupational safety and health and occupational health services:

the Occupational Safety and Health Act (738/2002), the Occupational Health Care Act (1383/2001), the Act on Occupational Safety and Health Administration (last amended in 1993) and the Act on the Supervision of Occupational Safety and Health (44/2006). The Health Insurance Act (1113/2005) provides detailed regulations on reimbursement and monitoring of occupational health services.

The principle of comprehensive, planned and proactive occupational health and safety functions (according to Directive 89/391/EEC) has been incorporated into the Occupational Safety and Health Act of 2002. The Act also requires that a documented health and safety policy must be drawn up for every workplace. This policy document should contain a plan for maintenance of work ability policy. The articles 7 and 14 of the Framework Directive have been implemented and transposed through the Occupational Health Care Act. The concept of the maintenance of work ability is included in the legislation by both acts, and it creates the basis for quality development in occupational health services.

The OHS Programme

The Government Resolution on Occupational Health 2015 outlines the development in occupational health care. It is a common interest of all stakeholders to develop occupational health services that are relevant, cost-effective and of good quality for the whole working population. The OHS system already exists. The focus is therefore on the content and functioning of occupational health services so that they will better contribute to the maintenance of good health and work ability of employees throughout the whole work career. An essential part of that is to improve collaboration of OHS with the employer and the employee in order to manage work better. The reimbursement system is developed to allow new organizational models of OHS. Comprehensive occupational health services are now available also for the self-employed and entrepreneurs because of the equitable service principle. Extra budgetary funds are made available to train sufficient numbers of occupational health service professionals and experts and to improve and increase training. The number of graduated occupational health physicians has almost doubled during the past three years. A considerable number of occupational health experts, including psychologists, have been trained to meet the demand. A completely revised Good Occupational Health Practice guide is published. It is complemented with a tool for self-assessment of the quality of OHS service. Production of evidence based clinical practice guides for occupational health services is also started. Healthier workers equal more productive work.

The OHS Infrastructure

The Ministry of Social Affairs and Health supervises the occupational health service and safety systems. All important issues concerning legislation and the development of OHS are discussed in the tripartite Advisory Committee on OHS at the Ministry, including representatives of the social partners, the government, the providers of OHS and the Finnish Institute of Occupational Health (FIOH). According to the Act on Occupational Health Care (2001) employers are required to organize and pay for preventive services for all workers regardless of the size, industrial sector or form of the enterprise. Both private and public sectors are covered. Curative services are voluntary, but they are included in 80% of the service agreements. OHS are voluntary for self-employed entrepreneurs, e.g. farmers in Finland.

In Finland, the OHS can be organized in several ways: through municipal health care centres, private medical centres, or the services may be integrated into the enterprise, or enterprises can jointly organize their OHS. Only the private medical centre model is profit-making, the other three

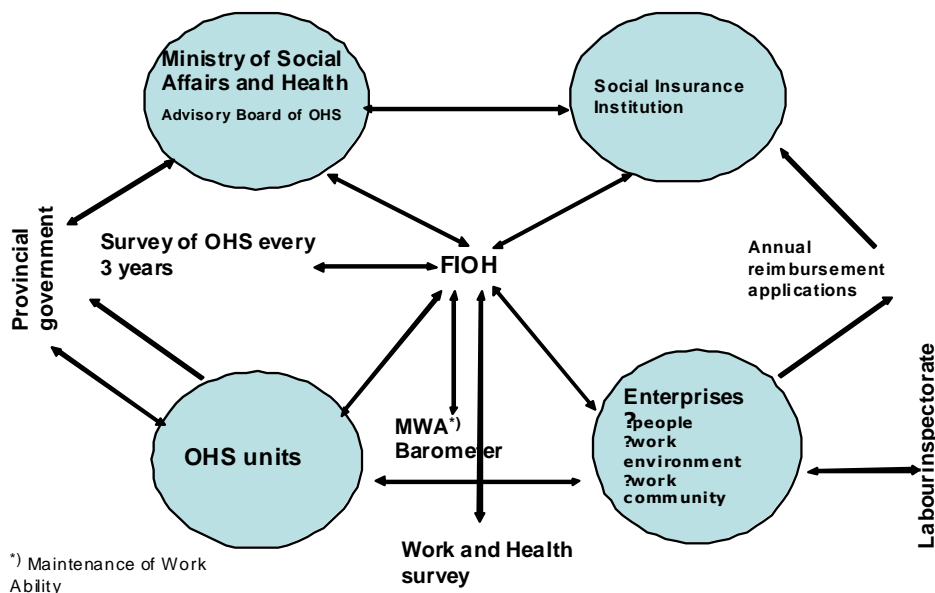
models are non-profit making. The number of OHS units was approximately 1000 in 2003. These units served some 1.8 million people. The coverage of OHS was highest among salaried employees (85%) and lowest among self-employed entrepreneurs (20%) and micro-companies employing less than 10 persons.

The employer is entitled to reimbursement from the Social Insurance Institution (SII) up to 50% of incurred and approved OHS costs. The reimbursement ceiling value for preventive costs was € 128 and for curative services € 192 /employee/year in 2004. The SII covers the reimbursements from the Sickness Insurance Fund (SIF) which is financed mainly by the employers. A small percentage of the SIF is also funded by the employees, which is reasoned by the fact that the Finnish OHS is wider than the EU framework directive 391/99/EEC, including curative services. In 2003 the total OHS reimbursement costs of the SII were 167 million euros and the total OHS costs approximately 375 million euros. The average yearly costs per employee varied from € 114 - 258.

Monitoring and surveillance

Provisions on monitoring the Finnish OHS are laid down in the Occupational Health Care Act of 2001. The Social Insurance Institution publishes three surveys and annual reimbursement statistics (Figure 3.2). The surveys are conducted at the Finnish Institute of Occupational Health (FIOH), each regularly every third years, and they are used at micro-, meso- and macro-levels to develop OHS system.

Figure 3.2. Surveillance of OHS as a system in Finland



Future challenges

The workplace is an arena for health promotion. Health promotion at the individual and workplace level, the recognition of reduced work capacity and rapid diagnosis, treatment and rehabilitation are the strengths of OHS in Finland. A rapid and easy access to services improves an employee's quality of life and earnings potential, and saves costs if return to work is delayed. Special emphasis

has therefore been placed on improving the early detection of reduced work ability and the building of seamless service chains between primary health care, specialised medical services and rehabilitation. A centralized national electronic system of keeping health records is under construction for the whole health care system and will be in operation in 2007.

The state has allocated more funds to double the number of graduated occupational health physicians up to 50/year. Core competences and minimum training requirements have been set for all OHS professionals. In curricula both classical and emerging problems in work life have been considered. Special emphasis has been placed on the application of scientific knowledge, management of change, collaboration with companies, and co-work with experts in OHS. Therefore, joint courses have been offered for years for occupational health physicians, nurses, physiotherapists and psychologists. A virtual university and research school for occupational health physicians was started in 2005.

The content and practices in OHS need to be researched and developed continuously. A compendium of projects called Rainbow project has been started to study and evaluate the core functions of OHS in Finland. Several handbooks and guides, such as the Medical Examinations in Hazardous Exposures, the Good Occupational Health Practice Guide and a self-assessment tool called Quality Key are published. The systematic production of evidence based OHS practice has been started and the first ones on work-related upper extremity disorders and occupational asthma are available. The FIOH will continue to co-ordinate the Cochrane Occupational Health Field and production of systematic reviews.

Surveillance of OHS activities, working conditions and activities related to the maintenance of work ability by the Ministry of Social Affairs and Health and FIOH, combined with the OHS statistics collected by SII will form a sound basis for the formulation of health policies and strategies also in the future. In addition, FIOH and other national research institutes complement statistics and survey data with the results of targeted research and action-oriented development projects. More data from these surveys will make more transparent what the strong and weak aspects of the Finnish OHS are. A firm legal basis, long traditions in negotiating occupational health and safety matters between social partners, together with the existing reimbursement system have enabled a systematic and continuing development of OHS in Finland.

3.8 Safety at work

Labour inspection service

Occupational safety and health at the workplace is governed by the Occupational Safety and Health Act (2002). It stipulates that the employers are always responsible for the safety and health in their enterprises while they can delegate specific tasks to others. Secondly, the enterprises must have an occupational safety and health committee, and a safety delegate elected by the employees in firms of prescribed minimum size.

The act makes the collaboration in all safety and health matters in work mandatory. If the committee or delegate is not required, the whole personnel must be consulted. The enterprise must have an occupational safety and health action plan which includes a complete risk evaluation, standard operation procedures for their elimination or prevention and mandatory occupational health services provided by occupational health specialists. The latter is mostly contracted outside the firm itself.

The law is enforced by the labour inspection service. It consists of eight districts, each of which has a director, a lawyer and several inspectors who may have technical or scientific or a health-related qualification. The inspectors provide nationally 430 person-years of which 350 are in the field work each year. The inspectors have a legal mandate to visit any enterprise with salaried employees without a prearranged appointment. The visits may be initiated by the service itself or they may be provoked by reports from the public.

The district office may issue binding orders with time limits. Each order is followed up by a verification visit as to the amelioration of the situation. In case of negligence, the district office can initiate a lawsuit in a civil court.

The inspectors review all grave accident cases by site visits and verify working conditions in severe cases of occupational disease notified to them by the attending physicians. The notification is mandatory even in suspected cases.

The districts formulate their four-year action plans with annual reviews with the Department of Occupational Safety and Health at the Ministry of Social Affairs and Health. The department includes three units under a director general, who is also a member of the committee of directors at the ministry. The units are those for inspection activities, for policies and for administrative services.

The department together with the districts formulate the goals for the inspection. The current objectives have focussed on three major efforts, i.e. on the prevention of accidents, on the prevention of musculoskeletal disease and on the prevention of psychosocial health problems. The themes have been chosen due to the magnitude of the problems and their economic significance.

The inspectors do some 30,000 visits in workplaces while there are some 240,000 enterprises in Finland, the vast majority of which are micro- or very small firms. Thus, it is clear that not all firms receive a visit ever. This makes information campaigns conducted for the benefit of all very important. They may include new law applications, new policies and goals and new safety procedures. A typical example of a campaign effort is the European Week organized in autumn together with the European Agency for Occupational Health Safety in Bilbao. During the week, best practices are given prizes, and a major theme is presented in regional meetings without admission charges.

A close collaboration with the mandatory occupational health providers takes place at the workplace level. The labour inspector verifies that a contract with a service provider exists. They may also inspect the report on possible occupational health risks as established by the health care provider, especially if the recommended measures include periodical health examinations or other screening procedures, such as so-called biological monitoring for exposure evaluation.

Many labour inspection district offices notify the firm occupational health care provider of their intended visits so that the occupational health nurse or doctor can also attend. It must be remembered, however, that the labour inspector's visit is free of charge while there is a fee for services in the case of occupational health care service visit.

Another common local venue for collaboration is a joint information meeting e.g. on national action plans or policies initiated by the government or by specific ministries. The same applies to major changes in the legislation. Current themes include the REACH Regulation by the European Union, the bipartite agreement on quartz or the directives on noise and vibration.

The labour inspection service also implements the new European Union strategy of occupational safety and health (2007). It adapts its annual and more long-term plans accordingly, and the data and experiences thus gathered are used in the follow-up reporting to the Commission.

The European connection in the occupational safety and health is vital and very strong. The Department of Occupational Safety and Health forms the national focal point. Its experts also participate in the Agency's programmes and administration. Other activities include various standing expert groups and ad hoc working parties of the Commission. This collaboration yields harmonized regulatory norms, like limit values, joint definitions of occupational diseases, definition of carcinogenicity of chemicals etc.

3.9 Recent reforms

Rehabilitation reform 2004

The rehabilitation reform came into force on 1 January 2004. The purpose of this reform was to encourage the early vocational rehabilitation and discourage the trend in early retirement. The emphasis of the reform was at early identification of those employees whose working capacity is at risk.

The reform focuses especially on the maintenance of the working capacity of the people in working age and on the vocational rehabilitation. Accordance to the new legislation employees and entrepreneurs in the working life, but under the threat of working incapacity, have the legal right to receive vocational rehabilitation organised under employment pension legislation. With the reform rehabilitation became a subjective right, which means that the applicant can appeal against a rehabilitation decision

Activation reform of the labour market support

The aim of the reform of the labour market support that came into effect from the beginning of 2006 is to offer a job or measures supporting employment to all those who have received passive labour-market support for more than 500 days. The jobseeker is obliged to accept the job offered, or to take part in active measures. Failure to do so may result in loss of unemployment security. In order to implement the social guarantee, the government has increased the appropriation earmarked for activating measures and focuses the appropriation reserved for passive unemployment security on activating the unemployed. Labour-service centres provide multi-professional services to those in the most difficult position in terms of gaining access to the labour market. The service centres look after jobseekers who in addition to employment services need other services as well, such as municipal social and health care services.

In order to promote cooperation between authorities, the financing responsibility regarding labour market support after 500 passive unemployment days is divided evenly between the state and municipalities as of the beginning of 2006. The financing responsibility regarding social assistance is always divided between the two. The state and the municipalities thus bear an equal financial burden for the direct costs due to long-term unemployment.

This paper analyses the impact of the reform of the flat-rate labour market support system from the beginning of 2006 based on statistical information. The developments in the number of the benefit recipients, participation in activation measures as well as costs of the system are reviewed. Regarding the costs, especially the changes in the municipal sector finances are discussed as the re-

form imposed responsibility for half of the cost burden for the long-term labour market support on the municipalities. .

The results of the reform have been analysed by Tuomala (2007).⁹ According to the results of the analysis the targets set for the reform have been met well. Participation in the active measures by the benefit recipients has increased, and the total number of benefit recipients has been cut. Also, the new financing system seems to be effective: the fiscal status of the municipalities as a whole has not deteriorated due to this reform. Due to a strong decrease in the number of long-term passive labour market support recipients, the fiscal burden of the municipalities as a whole has decreased much more than expected when the reform was being prepared.

⁹ Mika Tuomala ”Työmarkkinatuen aktivointiuudistuksen toteutuminen vuonna 2006” Työministeriön analyysija 1/2007 (with English abstract). [link to publication](#)

4 The position of people with disabilities in employment/society

4.1 Equal treatment

The Employment Contracts Act (55/2001) contains a provision on prohibition of discrimination and on equal treatment in Chapter 2, Section 2: the employer shall not exercise any unjustified discrimination against employees on the basis health and disability etc.

Recruitment is subject to the legal provisions on prohibition of discrimination. The prohibition is also significant when decisions are made on the distribution of employees' duties, arrangement of training, granting benefits based on the employment relationship, and the termination of an employment relationship. Prohibited discrimination under the Employment Contracts Act occurs when an employer, in making a decision concerning employees, knowingly puts an employee in a different position from other employees on prohibited discriminatory grounds.

Employees can be treated differently for a justified reason. The justification of a reason is assessed on the basis of 'a real requirement arising from the work'. The nature of the employer's operations can also be taken into account in the assessment.

If certain employees or employee groups receive positive special treatment because they are considered to be in need of special protection, for example because of their age, work disablement, family responsibilities or social status, this cannot be deemed prohibited discrimination. The purpose of positive special treatment is to ensure the factual equality of a particular group.

The requirement of equal treatment complements the prohibition of discrimination. It obliges the employer to give equal treatment to employees who are in the same position or in a similar situation, and to ignore other differences between them. The requirement of equal treatment becomes significant when employees are granted benefits based on the employment relationship, and are assigned duties. The requirement obliges the employer to take actions which are logical and to make logical decisions as regards employees.

An employer may deviate from the requirement of equal treatment only for a justified reason, having taken into consideration the duties and positions of the employees. The requirement of equal treatment does not inhibit the use of incentive pay systems, as long as no discriminating or unequal factors affect their determination.

According to the employer's general obligation the employer must make sure that the employees perform their work also when the operations, the work to be carried out or the work methods of the enterprise are changed or developed. In order to maintain and improve the employee's qualifications, the employer is expected to make sure that also a disabled employee is provided all the guidance necessary in order for him/her to perform his/her duties. In addition, the employer has an obligation to strive to further the employee's development opportunities so that the employee can advance in his/her career according to his/her abilities. In order to do so, the employer has to, on the one hand, aim to make sure that the employee has the skills needed for the work, and, on the other hand, try to provide the employee opportunities to advance in his/her career in accordance with his/her skills and abilities also so that the employee will be able to perform more demanding work with more responsibility.

The Non-Discrimination Act came into force on 1 February 2004 implementing the European Union Council Directive 2000/43/EC on the principle of equal treatment between persons irrespective of racial or ethnic origin and Council Directive 2000/78/EC establishing a general framework for equal treatment in employment and occupation. The purpose of the Act is to foster and safeguard equality and enhance the protection provided by law to those who have been subjected to discrimination in cases that fall under the scope of application of the Act.

In accordance with section 4 of the Non-Discrimination Act (21/2004), the authorities shall purposefully and methodically foster equality in all their activities and consolidate such administrative and operational practices as will ensure the promotion of non-discrimination in preparatory work and decision-making. The authorities shall, in particular, alter circumstances that prevent the materialisation of equality. Section 6 of the Act provides for prohibited grounds for discrimination, of which disability is one. According to the law, discrimination is prohibited in matters related to the work, education and trade union activities.

According to section 5 of the Act, to foster equality in the contexts referred to in Section 2, subsection 1, a person who commissions work or arranges training shall, where necessary, take reasonable steps to help a person with disabilities to gain access to work or training, to cope at work and to advance in his or her career. In assessing what is deemed reasonable, special attention shall be devoted to the costs of the steps, the financial position of the person commissioning the duties or arranging the training and the possibility of receiving support for the implementation of the steps from public funds or other sources.

The wording "where necessary" of the section means that the need for reasonable accommodation is to be determined on a case by case basis. The provision aims to promote the employment of disabled people, help them cope with their work and retain it, promote their training and lifelong learning. In the workplace appropriate accommodation measures may relate e.g. to work conditions, work organization, working time arrangements, working methods, facilities, training and arrangement of work, and work guidance considering the individual needs of disabled persons.

The provision does not require the realization of unreasonable arrangements. When assessing the reasonableness of arrangements from the perspective of the employer, one would consider e.g. the financial costs caused by the arrangements, the size and financial situation of the organization or enterprise as well as the availability of public funds or other support, e.g. support for arrangement of working conditions. Furthermore, there are situations that could lead to unreasonableness, e.g. arrangements that would change the workplace activities too much and where they could at the same time endanger for example the observation of occupational safety provisions.

The assumption would be that the arrangements make it possible for a disabled person to cope in working life.

The provision supplements and fortifies the obligation of the employer, laid down in the Act on Occupational Safety and Health, to consider disability in the working environment, work arrangements and work dimensioning. The provision supplements also the general obligation of the employer, stated in chapter 2, section 1 of the Contracts of Employment Act, to ensure that all workers have a possibility of getting training and to develop in work in order to advance in their career.

Provisions in the Non-Discrimination Act improve the access of persons with disabilities to employment and vocational training. This reform is significant in many respects: it brings our system of fundamental rights into line with international human rights conventions. It makes these rights

directly applicable, so that people with disabilities may base a claim directly on them. It is difficult to estimate all the effects, but clearly it provides for disabled people and their organisations better, constitutional grounds to demand that their rights and status shall be considered in new legislative projects. The prohibition of discrimination against people with disabilities may also have direct influence on the courts and authorities.

Equality bodies in Finland are the ombudsmen for 1) gender equality; 2) ethnic minorities; 3) children; the Parliamentary Ombudsman and Chancellor of Justice. In addition, there is a cultural self-governance institution of the Sámi Homeland (the Sámi Parliament), and a great number of advisory boards and councils to monitor and promote the position of indigenous people (the Sámi), different minorities and people with disabilities in the Finnish society.

There is no quota system for people with disabilities in Finland.

4.2 The incomes of persons with disabilities

The information on incomes of persons with disabilities is limited and generally based on separate studies of living conditions of certain groups (e.g. visually impaired). As expected those few studies that have been carried out have established that the incomes of people with disabilities are generally lower than in adult population generally (or in corresponding age group).¹⁰ Studies have usually been based on tax records and therefore lack information on non-taxable benefits. Some of the studies use comparisons of gross income and do not capture the effect of taxation and special tax allowances.

Linnakangas et al. (2007)¹¹ studied employment and incomes of people with disabilities using invalidity deduction information from tax records as indicator for disability (degree of disability). In year 2002 the median wage income of disabled wage earners was 96 per cent of the median wage of all wage earners in the data. Disabled persons with higher education had considerably higher employment rates than disabled persons with basic education only.

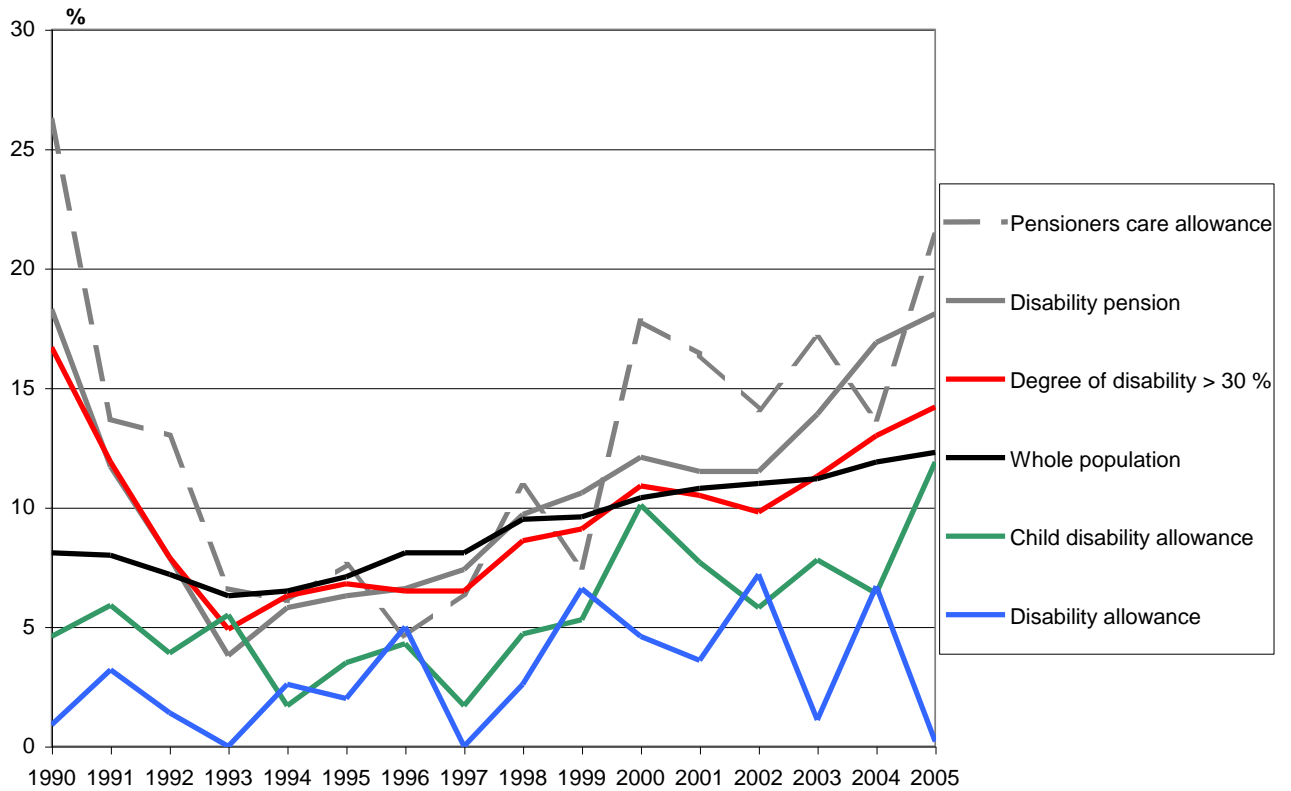
Using the Income Distribution Survey data it is possible to compare disposable household incomes of certain recipient groups. The low-income rates seem to be highest among disability pensioners and/or pensioners receiving pensioner's care allowance.¹² The disposable income includes also disability allowances that may have been granted due to special costs related to disability. In these cases it may not correctly reflect the standard of living of the recipient. (Figure 4.1.)

¹⁰ Ilka Haarni (2006, in Finnish only) includes a short summary of these studies ([publication in Finnish](#))

¹¹ [Publication in Finnish](#)

¹² After the age of 65 the disability pension changes to old age pension. Therefore group "disability pension" includes only persons who are under 65 years of age.

Figure 4.1. Low-income rate of disability benefit recipients in 1990-2005, %
 Equivalent household disposable income, low-income threshold 60 % of median income



Information on degree of disability is based on invalidity tax deduction (see table 1.1).

Source: Ministry of Social Affairs and Health / IDS micro data.

Recipients of disability pension are automatically entitled to invalidity deduction

NOTE: Due to small sample size results should be interpreted cautiously

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APPENDIX 1: Programmes and projects promoting employment, health and workability

Government Policy Programmes

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

Policy programme for employment, entrepreneurship and worklife

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

Policy programme for health promotion

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

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

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

VETO-programme¹³

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

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

The Veto Programme continues the projects that have been developing Finnish working life, like the **National Programme for Ageing Workers** ([The National Programme on Ageing Workers - Evaluation](#)) and the **National Well-being at Work Programme** ([Summary and evaluation](#)) Veto started in 2003 and continues until 2007. The main responsibility for the programme has

¹³ <https://rtstm.teamware.com/Resource.phx/veto/index.htx?eng>

been born by the Ministry of Social Affairs and Health. Issues related to the programme will be transferred to the new Ministry of Labour and Industry.¹⁴

Health 2015 public health programme¹⁵

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

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

National development programme for social and health care 2008 – 2011

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

Project to restructure local government and services

The objective of the project to restructure local government and services is a sound structural and financial basis for the services that municipalities are currently responsible for providing. The aim is to secure the organisation and provision of such services in the future with due regard to the required standard of quality, effectiveness, availability, efficiency, and technological advancement. Both organisation and production of the services will be considered in the project.

Behind the project are the major changes in the operating environment of municipalities, which the Finnish society is facing in the coming decades. These demographic and economic changes provide challenges for the municipalities' ability to provide services to the citizens.

The municipalities will carry out the reforms in co-operation with the central government by the end of 2012.

¹⁴ At the beginning of 2008 a new Ministry of Labour and Industry will be established which will assume responsibility for the duties of the existing Ministry of Trade and Industry and of the Ministry of Labour, excluding migration and integration matters, and the functions of the Department for Development of Regions and Public Administration of the Ministry of the Interior, excluding the Regional and Local Administration Unit.

¹⁵ <http://www.terveys2015.fi/images/health2015.pdf>

MASTO Project

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

The initiative, called the MASTO Project, which is spearheaded by a broad-based coordinating group, aims to improve mental health by targeting depression prevention, treatment and rehabilitation. It also aims to develop a range of best practices concerning people on sick leave due to depression. The project seeks to promote stronger collaboration between the numerous other initiatives underway nationwide to upgrade mental health and tackle depression.