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**OECD High Level Forum Sickness, Disability and Work, Stockholm, 14-15 May 2009
SATA Committee and the challenges of reforming social protection**

Honorable Chair,
Dear Colleagues,

In the 1990s Finland went through a deep economic recession and its consequences. The Government has considered carefully the lessons learned from that era. This time round, we are trying to avoid overreactions in economic and fiscal policy, and to keep our social protection networks in good shape. Although the present recession is very different from the one in the 1990s, the same rules apply today. Change happened very rapidly. In a matter of months concern shifted from a labour shortage to mounting unemployment. We should, however, try to look beyond the short-term.

At the moment the key focus of economic policy is to minimise the impact of the economic recession and put in place recovery measures. However, we should not forget that the greatest long-term challenge for public finances is the ageing population and its impact on the dependency ratio, economic activity and social and health expenditure.

The Finnish Government Programme includes several improvements to the social protection system. The new SATA Committee is preparing a social protection reform that aims at creating a new social protection system - one which provides incentives to work, and has a sustainable funding base while at the same time providing adequate basic security for those in need.

The Government asked the Committee to examine what kinds of development measures and reforms are needed to address the decline in the dependency ratio. For example, students should graduate and enter the labour force earlier than at present. Unemployment periods should be shorter and it should be more profitable to accept short-term jobs. People with reduced work ability should have easier access to working life, while there

should be incentives to postpone retirement or to reenter the labour market even after retirement. The productivity of work should also be improved.

At the start of the year 2010, those receiving basic security benefits will have the right to a higher unemployment benefit for a maximum 200 days, as a reward for actively seeking employment. The unemployment security policies are based on proposals submitted by labour market organisations, and naturally they will be adapted to the prevailing economic situation.

The Government will also introduce a guaranteed pension as of March 2011. This reform will improve the status of those on the smallest pensions.

The Committee puts exceptionally strong emphasis on the significance of measures promoting activity. It proposes measures that aim at improving the opportunities of incapacitated persons to stay in or return to the labour market. At present there can be some disincentives to seek work; a short-term job may not give a sufficient increase in income, and the short period of employment is then followed by an interval of financial insecurity because of the need to reapply for unemployment security.

We must ensure that people have good work and good functional ability in addition to their professional skills. We also need to put in place the right kinds of economic incentives. Such measures could include a work bank that employs individuals and then offers their services to other actors. Such an arrangement could reduce the risks involved for enterprises in employing people and for households in taking employment. It would also reduce bureaucracy and ensure the security of the employees.

The Finnish system of social protection has evolved over decades and its purpose is to reduce social risk. However, it is affected by changes in the world, and by changing patterns of need for income security. More and more often, those in need of social protection are lacking in social and professional skills. This trend should be kept in mind

when reforming the social protection system; and it also means that we need to offer transitional periods between social security benefits and active participation in working life. In other words we need to find ways that enable creative use of social protection.

Our goal is to make sure that each and everyone of our citizens has a comprehensive and reasonable level of social protection that gives them the opportunity to manage their lives and changes they face in them.