

OECD urges Finland to simplify its vocational rehabilitation system

Finland should streamline its fragmented vocational rehabilitation system and stop the use of disability benefits as an early retirement tool. These are among a series of recommendations in *Sickness, Disability and Work: Breaking the Barriers (Vol.3) – Denmark, Ireland, Finland and the Netherlands* that analyses sickness and disability policies and proposes government actions to reduce the number of long-term benefit claims and to bring down the high level of sickness absence.

Since the mid-1990s, Finland enacted a series of programmes to promote good working conditions and work ability. Indeed, as a result, employment rates for workers aged 55-64 have increased faster in Finland than in most other OECD countries. In the past few years, a net of Labour Force Service Centres has been created which are jointly operated by the PES and the municipalities and which aim to help people with complex issues. Still more needs to be done, however, to address the situation of people with health problems.

Simplification of support systems is key

Finland has several authorities that manage working-age people with sickness or disability. The Public Employment Service (PES) helps jobseekers with disability, while the general and occupational health care systems manage those with long-term illness, and the Social Insurance Institution (KELA) assists people with insufficient work history. These are only a few of the several players within the system; it is not entirely clear to the client, nor to the authorities, who is supposed to manage whom. To combat this confusion, Finland should:

- Create a single entry point for people with health problems and make sure that once someone is in the system, one authority manages the case from beginning to end.
- Reform the 2003 Act on Rehabilitation to include co-operation between authorities as well as participation requirements for clients.
- Better integrate the municipal and the PES part of the Labour Force Service Centres and involve KELA as an equal partner. People with health problems must be able to access these integrated services.

Close disability as early retirement substitute

Since 1995, short-term sickness absence increased by 15% and, more worryingly, long-term absence increased by almost half in Finland. Inflow rates into disability benefits are very high in international comparison, at around 1% of the population annually, and especially high among older people – 47% of all new recipients are aged 55-64.

Four years ago, the Finnish pension system was reformed to make it more attractive for older workers to continue working beyond age 63. The aim was to rise the average age of retirement by 2-3 years. The impact on disability benefits, however, has been minimal, due to a loophole in the reform which made it easier to claim disability benefits for those over 60. Finland can close this loophole by:

- Putting a stronger focus on people's ability to work rather than on medical conditions. All workers, including older workers and public sector employees, should be assessed on the same grounds rather than on an own-occupation basis.
- Implementing a gradual phase-out of disability benefit when earnings exceed allowed limits and/or in-work payments targeted to low-wage earners with disability would make it more attractive to combine benefit and work income.

Consolidate employer responsibilities

Through the well-developed occupational health care system and by linking premiums to the disability benefit scheme to the use of disability benefits, employers are heavily involved in sickness and disability policy. Access to occupation health services varies across industries and experience-rating of premiums varies with the size of the firm. As a result, not all employers have the same or similar responsibilities in sickness and disability management. The system should be strengthened by:

- Improving sickness management by enforcing the mandatory notification of employers to the social insurance institution: retrospective reimbursement should be abolished and no reimbursement should be granted without notification.
- Considering some form of experience-rating for SMEs, at least for a limited number of years of disability benefit payment. To counterbalance hiring disincentives arising from the scheme, measures such as targeted payroll-tax reductions could be introduced.
- Making occupational health services mandatory for entrepreneurs and the self-employed and putting in place an OHS-like system for unemployed people.

Journalists can obtain a copy of **Sickness, Disability and Work: Breaking the Barriers (Vol. 3) – Denmark, Ireland, Finland and the Netherlands** by contacting the OECD's [Media Relations Division](#) (tel. +331 4524 9700). For further information, please contact one of the authors in OECD's Directorate of Employment, Labour and Social Affairs: [Christopher Prinz](#) (tel. +331 4524 9483), [Ana Llana Nozal](#) (tel. +331 4524 8527) and [Michael Förster](#) (tel. +331 4524 9280).