

## OECD THEMATIC FOLLOW-UP REVIEW OF POLICIES TO IMPROVE LABOUR MARKET PROSPECTS FOR OLDER WORKERS

FINLAND (situation mid-2012)

*In 2011, the employment rate for the population aged 50-64 in Finland was 2.7 percentage points **higher than in 2005** and 4 percentage points **above the OECD average**. Further statistical information about the labour market situation for older workers in Finland is presented in the scoreboard in Table 1.*

A major multi-country OECD review of employment policies to address ageing took place during 2003-05 and was summarised in the OECD synthesis report *Live Longer, Work Longer*, published in 2006. That report put forward an agenda for reform, consisting of three broad areas where policy action was seen as necessary to encourage work at an older age:

- strengthening financial incentives to carry on working
- tackling employment barriers on the side of employers
- improving the employability of older workers

One of the main purposes of this follow-up review is to take stock of the progress OECD countries have made in implementing this reform agenda. In the third quarter of 2011, a questionnaire was sent to all member countries, seeking information on the measures and reforms carried out since 2006. For each of the 21 countries<sup>1</sup> that had participated in the original review, the questionnaire was adapted to refer to the OECD's specific policy recommendations in each corresponding country report.

The main actions taken in Finland since 2005 are described in this Note. A summary assessment of the extent to which Finland has followed the OECD's recommendations in the report *Ageing and Employment Policies: Finland* is given in Table 2.

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<sup>1</sup> Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, United States. For further information, see [www.oecd.org/els/employment/olderworkers](http://www.oecd.org/els/employment/olderworkers).

## **A. STRENGTHENING FINANCIAL INCENTIVES TO CARRY ON WORKING**

### **A.1. OECD recommendations to Finland in 2004 – action taken**

#### ***Review the proposal to extend the duration of unemployment benefits***

The unemployment pension was phased out in the 2005 Pension Reform, and replaced by an extended period of earnings-related unemployment benefits (500 days). The age limit to qualify for extra days of unemployment benefits was raised in 2007, and then again in 2010, for persons born in 1955 or later. If a person born in 1955 or later turns the age of 60 before the date on which the 500-day maximum payment period expires, the person may be paid unemployment allowance until reaching the pension age of 65 years. Persons born in 1949 or earlier may still be entitled to unemployment pension.

#### ***Tighten job search requirements for receiving unemployment benefits***

Following an agreement of the social partners in March 2012, some changes will enter into force in the beginning of 2014. The unemployment benefit system will be based on more of a “mutual obligations” approach. If the jobseeker refuses to accept an active measure within the first 250 days of the unemployment period, the maximum duration of the unemployment benefit will be reduced by 100 days. The earnings-related benefit period will be determined in relation to the work history. The maximum duration will be 400 days for a person who has been working for less than three years. Following a work history of more than three years, the maximum duration will be the current 500 days.

Additional changes will enter into force in 2015. The age limit for the right to a continued unemployment allowance will be increased by one year for those born in 1957 or later. The unemployed jobseekers who are 60 or older will have the right to placement in subsidised work or other active measures until they are once again eligible for unemployment benefit.

#### ***Abolish the subsidy of part-time pensions***

The minimum age for a part-time pension was raised from 58 to 60 in 2011. Old-age pension rights accumulated during part-time retirement were simultaneously reduced, but were made to relate more closely to actual earnings. The reforms apply to persons born in 1953 or later. Their main objective is to improve the sustainability of the pension scheme; they were based on an agreement between the social partners.

### **A.2. OECD recommendations to Finland in 2004 – no action taken**

#### ***Review the proposed easing of eligibility rules for receiving disability benefits***

Over the past 15 years, a series of policy reforms have been introduced to reduce the widespread use of early exit pathways. The 2005 Pension Reform terminated the access to individual early retirement pension. At the same time, the medical criteria for an ordinary disability pension were somewhat relaxed for people over the age of 60.

Evaluations of the reforms indicate that persons over 60 who were previously covered by individual early retirement pension were more or less covered by ordinary disability pension. Examinations of the joint effects of changes in the eligibility age thresholds for unemployment and part-time pension schemes, and

the effect of changes in medical criteria for the disability pension, indicate that older workers on average leave employment 3.9 months later.

### **A.3. Other implemented measures unrelated to specific OECD recommendations**

A temporary act has been introduced in order to promote a return to work. In effect between 2010 and 2013, this act makes it possible to leave disability pension dormant – for a minimum of three months and a maximum of two years – in order to work.

A government programme launched in 2011 makes it mandatory to reach a common understanding leading to a long-term solution to extend careers, ensure the funding of the earnings-related pension scheme, and ensure sufficient pension provision. The social partners concluded an agreement on extending working careers in March 2012, which the government is committed to implementing. The agreement focuses on the first and middle as well as final stages of careers. The social partners have committed to continuing pension reform by carrying out a high-level survey on the earnings-related pension scheme by 2013. The pension reform will enter into force no later than January 2017. The social partners also agreed to increase opportunities for on-the-job training and apprenticeships for young people. Special attention will be paid to combating the causes of incapacity for work and developing professional skills throughout careers.

## **B. TACKLING EMPLOYMENT BARRIERS ON THE SIDE OF EMPLOYERS**

### **B.1. OECD recommendations to Finland in 2004 – action taken**

#### ***Remove the age-related component of social security contributions and review the system of experience-rating***

The disability cost component of the earnings-related pension contributions in the private sector was reformed in 2006; however, the large-scale employers remain at least partly responsible for the costs of disability pensions. In the new model, these costs are linked to contribution categories that are determined by the risk ratios from previous years.

In 2007, the rules for calculating pension contributions were changed so that the pooled component of pension contributions is no longer age-related.

In order to support employment opportunities for disabled persons, the basis for calculating pension contributions was changed in 2009. The disability cost component of the employer is not affected if a disabled employee retires in the course of the first five years of his or her employment.

#### ***Continue to promote age-management training and information campaigns***

Age management training is promoted through different programmes to expand and improve working life, described below.

The Finnish Workplace Development Programme *TYKES* (2004-09) has promoted workplace arrangements to enhance productivity and the quality of working life. The programme was based on the view that the most effective way of generating new innovative solutions for working life is the close co-operation and interaction among managers, researchers, consultants, public authorities and the social partners. The 2011 government programme included a decision to establish a new funding programme, *In Tekes*.<sup>2</sup>

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<sup>2</sup> See more at [http://www.mol.fi/mol/en/01\\_ministry/05\\_tykes/index.jsp](http://www.mol.fi/mol/en/01_ministry/05_tykes/index.jsp).

The Finnish Development Strategy of Working Life was published in May 2012. The strategy aims to improve the employment rate, the quality of working life, well-being at work and work productivity. By improving the quality of working life, it is possible to foster people's will and motivation to prolong their working careers. The government, together with the social partners and other relevant actors, will launch a broad national co-operation project in workplaces to implement the strategy. As part of this project, *Tekes* (Finnish funding agency for technology and innovation) will prepare a separate development programme for work organisations.

The Ministry of Social Affairs and Health implemented the Veto Programme (2003-07), with the objective of promoting people's full engagement with professional life and rewarding work over simple retirement. Various events and campaigns had an important role in influencing attitudes and making the programme and its objectives known.<sup>3</sup>

The Ministry of Social Affairs and Health also began a Forum for Well-being at Work (2008-11), in order to expand co-operation for promoting a good work environment. The objective is to boost network co-operation and partnerships so as to make actions more effective and to achieve common goals. The forum will continue its activities and be developed in 2011-15 under a new strategy, Socially Sustainable Finland 2020. New policies for the workplace environment and well-being at work until 2020 were also launched, in 2011.<sup>4</sup>

### ***Review the implementation of anti-age discrimination legislation***

Older workers are seen as one of the most common targets of discrimination. Workers over the age of 55 especially are seen to be exposed to discrimination when it comes to (*inter alia*) recruitment, career drive, equal pay, access to on-the-job and further training, and labour agreements covering work arrangements and conditions.

Finland's antidiscrimination legislation is based on international human rights agreements, such as the International Covenant on Civil and Political Rights, the European Convention on Human Rights, the European Social Charter and International Labour Organization (ILO) Convention No. 111. The Finnish Economic Council Directives on equal treatment irrespective of ethnic origin and equal treatment in employment are the basis of the Non-discrimination Act, which entered into force in February 2004. According to this act, unequal treatment based on age is not regarded as discrimination when: it has an objectively and appropriately founded employment policy (*e.g.* for those under 25 years of age and for elderly persons) including labour market, vocational training or some other comparable justified objective; or when different treatment arises from age limits adopted in qualification for retirement or invalidity benefits within the social security system. Positive action on behalf of such persons or groups of persons, who are considered to be in need of special protection on account of their age, is not regarded as discrimination and thus prohibited. The aim of special treatment is to prevent or reduce the disadvantages caused by discrimination, and to achieve genuine equality in respect of the group in question.<sup>5</sup>

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<sup>3</sup> See more at <http://pre20090115.stm.fi/is1121421808962/passthru.pdf>, and at [www.stm.fi/en/publications/publication/\\_julkaisu/1066523](http://www.stm.fi/en/publications/publication/_julkaisu/1066523).

<sup>4</sup> See more at [www.stm.fi/julkaisut/nayta/\\_julkaisu/1381170#fi](http://www.stm.fi/julkaisut/nayta/_julkaisu/1381170#fi).

<sup>5</sup> Several evaluations (in Finnish, including English summaries) have been conducted on antidiscrimination legislation. Age has been one of the issues in these studies and evaluations. See more at [www.ihmisoikeusliitto.fi/images/pdf\\_files/syrjinta\\_tyoelamassa2010.pdf](http://www.ihmisoikeusliitto.fi/images/pdf_files/syrjinta_tyoelamassa2010.pdf).

### **B.3. Other implemented measures unrelated to specific OECD recommendations**

Low-wage subsidies were payable to employers covered by a temporary scheme in effect in Finland over the years 2006-10. The aim was to support the employment of older workers (over the age of 54), whose costs in relation to productivity are high. An additional purpose was to encourage employers to hire the unemployed and persons at high risk of long-term unemployment.

The findings of an evaluation show that the low-wage subsidies were most heavily used in the public sector. The most important reason for not taking advantage of the subsidy was ignorance of its existence. All in all, the employment effect of the subsidy was rather limited, and new jobs created were almost wholly in the public sector.<sup>6</sup>

## **C. IMPROVING THE EMPLOYABILITY OF OLDER WORKERS**

### **C.1. OECD recommendations to Finland in 2004 – action taken**

#### *Encourage upgrading of education levels and participation in lifelong learning*

The *Noste* Programme was implemented in 2003–09 to raise the level of education among adult and older workers. This objective was pursued by motivating the programme's target groups to enter into education, through the dissemination of information and outreach activities and by improving the groups' access to regularly financed vocational education and training. The programmes were intended for 30- to 59-year-olds, although those 25 years old and over were also eligible, for completing comprehensive school education. The quantitative objective was to reach approximately 10% of the target group. The state granted a total of EUR 124.5 million for implementation of the programme. Evaluations show that about 7.3% of the target group embarked on education or training, and 5.6% obtained some sort of qualification through the programme.

The *Noste* Programme also challenged education providers to create new operating models for adult and older workers' education; outreach activities were developed to motivate the portion of the population least interested in participating. Outreach activities succeeded in reaching and motivating a larger audience than solely the *Noste* group by opening up new and existing business partnerships. The less-educated adult group clearly underlined the importance of personalising studies, strengthening learning skills, guidance, and support measures. During the programme, teachers became increasingly aware of inadequate learning skills among participants. Most adult education institutions improved their assessments of the educational needs of less educated staff at workplaces; in so doing they were better able to reach and include the less educated population in study programmes and provide opportunities for these groups to complete their qualifications.<sup>7</sup> [

Education and training opportunities for unemployed jobseekers receiving unemployment benefits have been enhanced by supporting self-motivated training from 2010 onwards. The reform combines different categories of financial support to the unemployed during education and training, allowing them to choose more freely the sort of training they wish to attend. All education and training will be treated equally with respect to the benefit system as long as it is approved by the public employment services (PES).

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<sup>6</sup> The evaluation study has been published, including an English summary, at [www.tem.fi/files/25305/TEMjul\\_63\\_2009\\_tyo\\_ja\\_yrittajyys.pdf](http://www.tem.fi/files/25305/TEMjul_63_2009_tyo_ja_yrittajyys.pdf).

<sup>7</sup> See more at [www.minedu.fi/export/sites/default/OPM/Julkaisut/2010/liitteet/okm08.pdf?lang=fi](http://www.minedu.fi/export/sites/default/OPM/Julkaisut/2010/liitteet/okm08.pdf?lang=fi).

The government has decided to investigate the possibilities for launching individual learning accounts. The Ministry of Education and Culture has begun work on a proposal for implementing, financing and targeting individual learning accounts by November 2012.

***Arrange for working time to leave room for training***

The government has drafted a proposal on skills development during working life, which increases employers' responsibilities in this domain. Employees may participate in an annual three-day training course prescribed by the employers, and the latter will be granted a tax credit as an additional incentive. The reform was launched in the framework agreement for wages by the social partners in November 2011.

**C.2. OECD recommendations to Finland in 2004 – no action taken**

***Establish quantitative goals for future government programmes***

The OECD recommended setting measurable goals that are relatively easy to follow up and evaluate.

**C.3. Other implemented measures unrelated to specific OECD recommendations**

The Finnish Economic Council has published an ageing report. Based on the challenges of ageing and Finland's ageing policy, the Council has assessed the adequacy of preparations for the future, and the need for new policy measures. The report has been published in English at [www.vnk.fi/hankkeet/talousneuvosto/julkaisut/julkaisu/julkaisu.jsp?oid=258437](http://www.vnk.fi/hankkeet/talousneuvosto/julkaisut/julkaisu/julkaisu.jsp?oid=258437).

Table 1. Older workers scoreboard, 2001, 2005 and 2011

	Finland			OECD <sup>h</sup>		
	2001	2005	2011	2001	2005	2011
<b>Employment</b>						
-- Employment rate, 50-64 (% of the age group)	60.5	62.5	65.2	55.6	58.4	61.2
<i>of which</i> 50-54	80.5	80.0	82.5	71.8	73.7	76.1
55-59	63.1	65.3	72.9	55.9	59.9	64.8
60-64	25.3	33.2	41.6	32.5	35.6	40.0
-- Employment rate, 55-64 (% of the age group)	45.9	52.6	57.0	44.9	49.0	52.9
-- Employment rate, 65-69 (% of the age group)	5.3	6.9	11.8	15.2	16.5	18.5
<b>Job quality</b>						
-- Incidence of part-time work, 55-64 (% of total employment)	20.1	17.1	17.4	17.2	17.2	18.7
-- Incidence of temporary work, 55-64 (% employees)	5.9	6.4	6.7	9.0	9.1	9.1
-- Full-time <sup>a</sup> earnings, 55-59 relative to 25-29 (ratio)	1.25	1.25	1.27	1.32	1.33	1.34
<b>Dynamics</b>						
-- Retention rate <sup>b</sup> , after 60 (% of employees <i>t</i> -5)	40.1	45.5	48.2	37.8	40.4	42.2
-- Hiring rate <sup>c</sup> , 55-64 (% of employees <i>t</i> -1)	7.2	6.8	7.5	7.8	9.2	8.5
-- Effective labour force exit age <sup>d</sup> (years) Men	60.3	60.5	61.8	63.1	63.3	63.9
Women	60.0	60.0	62.0	61.1	62.0	62.8
<b>Unemployment</b>						
-- Unemployment rate, 55-64 (% of the labour force)	8.9	6.9	6.5	4.6	4.8	5.8
-- Incidence of long-term <sup>e</sup> unemployment, 55+ (% of total unemployment)	56.7	49.8	44.6	46.8	47.7	45.9
<b>Employability</b>						
-- Share of 55-64 with tertiary education <sup>f</sup> (% of the age group)	22.7	26.5	30.1	15.9	19.9	22.9
-- Participation in training <sup>g</sup> , 55-64						
Absolute (% of all employed in the age group)	14.6	17.9	19.1	6.6	8.2	9.4
Relative to employed persons aged 25-54 (ratio)	0.64	0.66	0.68	0.44	0.52	0.57

-- unavailable.

a) Mean gross hourly earnings, 1999, 2004 and 2009.

b) All employees currently aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 5-years previously, 2000, 2005 and 2010.

c) Percentage of employees aged 55-64 with a job tenure of less than one year, 2000, 2005 and 2010.

d) 2001, 2005 and 2011. Effective exit age over the five-year periods 1996-2001, 2000-2005 and 2006-2011. The effective exit age (also called the effective age of retirement) is calculated as a weighted average of the exit ages of each five-year age cohort, starting with the cohort aged 40-44 at the first date, using absolute changes in the labour force participation rate of each cohort as weights.

e) Unemployed for more than one year.

f) 2000, 2005, 2010.

g) Job-related training during the last month.

h) Unweighted averages for 34 OECD countries.

Source: OECD estimations from national labour force surveys and OECD Education database.

[www.oecd.org/els/employment/olderworkers](http://www.oecd.org/els/employment/olderworkers)

Table 2. Ageing and employment policies: Finland (situation mid-2012)

OECD's recommendations to Finland in 2004	Action taken
<b>A. Strengthening financial incentives to carry on working</b>	
<i>Review the proposal to extend the duration of unemployment benefits</i>	+
<i>Tighten job search requirements for receiving unemployment benefits</i>	+
<i>Review the proposed easing of eligibility rules for receiving disability benefits</i>	/
<i>Abolish the subsidy of part-time pensions</i>	+
<b>B. Tackling employment barriers on the side of employers</b>	
<i>Remove the age-related component of social security contributions and review the system of experience-rating</i>	+
<i>Continue to promote age management training and information campaigns</i>	++
<i>Review the implementation of anti-age discrimination legislation</i>	+
<b>C. Improving the employability of older workers</b>	
<i>Encourage upgrading of education levels and participation in lifelong learning</i>	+
<i>Arrange for working time to leave room for training</i>	+
<i>Establish quantitative goals for future government programmes</i>	/
<p><i>Notes</i></p> <p>/ = no (relevant) action taken; + = some action taken, but more could be done; ? = some action taken, but could have negative impact and requires further assessment; ++ = substantial action has been taken.</p> <p>Source: OECD (2004), <i>Ageing and Employment Policies: Finland</i> and answers to the follow-up questionnaire from Finland.</p>	